

CBRE VALUATION & ADVISORY SERVICES



# APPRAISAL REPORT

THE RUINS  
315 E KEMP AVENUE  
WATERTOWN, SOUTH DAKOTA 57201  
CBRE FILE NO. CB23US070386-2

RED RIVER STATE BANK

**CBRE**

VALUATION & ADVISORY SERVICES



1900 LaSalle Plaza, 800 LaSalle Avenue  
Minneapolis, MN 55402  
T 612-336-4256  
www.cbre.com

October 24, 2023

Mr. Charles Aarestad  
Executive Vice President  
RED RIVER STATE BANK  
300 2nd Avenue West  
Halstad, Minnesota 56548

RE: Appraisal of: The Ruins  
315 E Kemp Avenue  
Watertown, Codington County, South Dakota 57201  
CBRE, Inc. File No. CB23US070386-20

Dear Mr. Aarestad:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report (Summary).

The subject is an under construction 63-unit, market rate mid/high rise property located at 315 East Kemp Avenue in Watertown, South Dakota. Upon completion, the property will consist of a single, four-story apartment building with underbuilding parking and a first floor retail/commercial space occupied by the city of Watertown. The retail center will be leased to the city on a 99 year lease term for \$1 annually. The improvements are scheduled to be completed in 2024 and are situated on a 0.39-acre site.

Per your request, three market valuations have been completed including the as is, prospective as complete and prospective as stabilized market values. Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee Interest	September 14, 2023	\$9,975,000
As Complete	Leased Fee Interest	January 1, 2024	\$10,760,000
As Stabilized	Leased Fee Interest	July 1, 2024	\$11,460,000
Compiled by CBRE			

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal

Practice of the Appraisal Institute. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. As a condition to being granted the status of an intended user, any intended user who has not entered into a written agreement with CBRE in connection with its use of our report agrees to be bound by the terms and conditions of the agreement between CBRE and the client who ordered the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



---

Matthew Johnson  
Senior Appraiser  
South Dakota Certified General Real Property Appraiser  
License # 1519CG

Phone: 612-336-4256  
Fax: 612-336-4235  
Email: matthew.johnson@cbre.com



---

Michael Moynagh, MAI  
Senior Managing Director  
South Dakota Certified General Real Property Appraiser  
License # 895CG

Phone: 612-336-4239  
Fax: 612-336-4205  
Email: mike.moynagh@cbre.com



---

Josh Luther, MAI  
Vice President  
Certified General Real Property Appraiser  
Licensed: SD# 1021CG; MN# 40473521; IA# CG03527  
Phone: (605) 201-0684  
Email: Josh.Luther@cbre.com



## Certification

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of South Dakota.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Josh Luther, MAI and Mike Moynagh, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
11. Matthew Johnson has and Josh Luther, MAI and Mike Moynagh, MAI have not made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Matthew Johnson, Josh Luther, MAI and Michael Moynagh, MAI have provided services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Matthew Johnson  
South Dakota Certified General Real Property Appraiser  
License # 1519CG



Michael Moynagh, MAI  
South Dakota Certified General Real Property Appraiser  
License # 895CG



Josh Luther, MAI  
South Dakota Certified General Real Property Appraiser  
License # 1021CG



## Subject Photographs



Aerial Parcel Map Provided by Codington County SD GIS Map



Typical view of the subject



Typical view of the subject



Typical view of the subject



Typical view of the subject

## Table of Contents

Certification .....	ii
Subject Photographs.....	iii
Table of Contents .....	v
Executive Summary .....	vi
Scope of Work.....	1
Area Analysis .....	5
Neighborhood Analysis .....	8
Site Analysis .....	12
Improvements Analysis .....	16
Zoning .....	20
Tax and Assessment Data .....	21
Market Analysis .....	23
Highest and Best Use .....	35
Land Value.....	37
Cost Approach .....	41
Insurable Replacement Cost .....	46
Sales Comparison Approach .....	48
Income Capitalization Approach.....	53
Reconciliation of Value .....	66
Tax Increment Financing.....	67
Assumptions and Limiting Conditions .....	68
<b>ADDENDA</b>	
A Land Sale Data Sheets	
B Improved Sale Data Sheets	
C Rent Comparable Data Sheets	
D Operating Data and Construction Costs	
E Legal Description and Plat Map	
F Client Contract Information	
G Qualifications	



## Executive Summary

<b>Property Name</b>	The Ruins	
<b>Location</b>	315 E Kemp Avenue Watertown, Codington County, SD 57201	
<b>Parcel Number(s)</b>	9352	
<b>Client</b>	RED RIVER STATE BANK	
<b>Highest and Best Use</b>		
As If Vacant	Hold For Future Commercial/Multifamily	
As Improved	Mixed Use Multifamily/Commercial	
<b>Property Rights Appraised</b>	Leased Fee Interest	
<b>Date of Inspection</b>	September 14, 2023	
<b>Estimated Exposure Time</b>	6 - 12 Months	
<b>Estimated Marketing Time</b>	6 - 12 Months	
<b>Primary Land Area</b>	0.84 AC	36,645 SF
<b>Zoning</b>	C1: Community Commercial	
<b>Improvements</b>		
Property Type	Mixed Use	(Multifamily/Commercial)
Number of Buildings	1	
Number of Stories (Above Grade)	4	
Gross Building Area (Including Parking Garage)	100,908 SF	
Net Rentable Area (Apartments Only)	53,967 SF	
Net Rentable Area (Commercial Only)	1,200 SF	
Number of Apartment Units	63	
Average Unit Size	857 SF	
Year Built	2024	
Effective Age (As of Stabilization Date)	0 Years	
Remaining Economic Life	55 Years	
Condition	New	
<b>Buyer Profile</b>	Investor-Local	
<b>Financial Indicators</b>		
Current Occupancy	0.0%	
Stabilized Occupancy	96.0%	
Estimated Lease-up Period	6 Months	
Overall Capitalization Rate	5.75%	
<b>Pro Forma Operating Data</b>	<b>Total</b>	<b>Per Unit</b>
Effective Gross Income	\$939,961	\$14,920
Operating Expenses	\$280,899	\$4,459
Expense Ratio	29.88%	
Net Operating Income	\$659,062	\$10,461

VALUATION		Total	Per Unit
Land Value		\$790,000	\$12,540
<b>Market Value As Complete On</b>	<b>January 1, 2024</b>		
Cost Approach		\$10,760,000	\$170,794
Sales Comparison Approach		\$9,700,000	\$153,968
Income Capitalization Approach		\$10,760,000	\$170,794
<b>Market Value As Stabilized On</b>	<b>July 1, 2024</b>		
Cost Approach		\$11,460,000	\$181,905
Sales Comparison Approach		\$10,400,000	\$165,079
Income Capitalization Approach		\$11,460,000	\$181,905
Insurable Value		\$9,460,000	\$150,159

CONCLUDED MARKET VALUE			
Appraisal Premise	Interest Appraised	Date of Value	Value
As Is	Leased Fee Interest	September 14, 2023	\$9,975,000
As Complete	Leased Fee Interest	January 1, 2024	\$10,760,000
As Stabilized	Leased Fee Interest	July 1, 2024	\$11,460,000
Compiled by CBRE			

## STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

### Strengths/ Opportunities

- Upon completion, the subject will represent one of the newest apartment buildings in the local market

### Weaknesses/ Threats

- Commercial real estate market conditions have deteriorated at the macro level. The significant recent increase in the cost of capital and reduced volume of transaction activity is impacting price discovery and creating an increase in uncertainty. Increasing interest rates and subdued economic growth will continue to weigh on commercial real estate fundamentals and investment transaction volumes. This creates a higher degree of uncertainty in general, though the impacts may vary by market and asset class/type.
- The property is located in a non-core investment area

## MARKET VOLATILITY

We draw your attention to a combination of inflationary pressures (leading to higher interest rates) and recent failures/stress in banking systems which have significantly increased the potential for constrained credit markets, negative capital value movements and enhanced volatility in property markets over the short-to-medium term.

Experience has shown that consumer and investor behavior can quickly change during periods of such heightened volatility. Lending or investment decisions should reflect this heightened level of volatility and the potential for deteriorating market conditions.

It is important to note that the conclusions set out in this report are valid as at the valuation date only. Where appropriate, we recommend that the valuation is closely monitored, as we continue to track how markets respond to evolving events.

## CURRENT ECONOMIC CONDITIONS

At its July 2023 meeting, the Federal Reserve raised the federal funds rate by 25 basis points to a 22-year-high range of 5.25% to 5.50% and indicated that future changes in monetary policy will depend on incoming data, taking into consideration the lagged impact of tightening monetary policy on the economy. The Fed also noted that it will continue to reduce the size of its balance sheet by \$95 billion per month.

Inflation is slowing as the pandemic's impact wears off. The economy has been remarkably resilient in the face of rapid rate hikes and inflation is unlikely to fall to 2.0% with a continued tight labor market and an unemployment rate of only 3.6%. For this reason, another rate hike cannot be ruled out, but we believe that the current rate of 5.25% to 5.50% will be enough to sufficiently weaken the labor market.

While opinions vary on future economic issues, the general market consensus at the time of this appraisal is the anticipation of moderating inflation as higher interest rates cool demand. Tighter lending conditions and a weakening economy will keep capital markets activity subdued and reduce leasing demand in the short to medium term. Amid this uncertain and dynamic environment, investment market performance will be uneven across property types.

## EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as "an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions." <sup>1</sup>

- This valuation assumes that all necessary city approvals and building permits are granted for the proposed 63 multifamily units and 1,200 square feet of commercial space. If the city approvals and/or permits are not granted for the proposed density/use, our value conclusions are subject to change.
- This valuation assumes that the proposed improvements as described herein are complete as our estimated date of completion.

The use of extraordinary assumptions may have affected the assignment results.

## HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purposes of analysis." <sup>2</sup>

---

<sup>1</sup> The Appraisal Foundation, *USPAP*, 2020-2022



- None noted

## OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of Craig Holdings LLC who purchased the property in June 2019 from the City of Watertown for \$417,040. According to the buyer, the sale was not considered an arm's length transaction as the city wanted to redevelop the site for the new park that will be going to the west of the subject property.

To the best of the appraiser's knowledge the subject property has not sold or been listed for sale in the last three years.

## EXPOSURE/MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. The following table presents information our conclusion.

EXPOSURE/MARKETING TIME DATA			
Investment Type	Exposure/Mktg. (Months)		
	Range		Average
Comparable Sales Data	1.0	- 12.0	
<i>PwC Apartment</i>			
National Data	1.0	- 9.0	3.9
Local Market Professionals	6.0	- 12.0	9.0
<b>CBRE Exposure Time Estimate</b>	<b>6 - 12 Months</b>		
<b>CBRE Marketing Period Estimate</b>	<b>6 - 12 Months</b>		
Source: CBRE National Investor Survey, RealtyRates.com Survey & PwC Real Estate Survey			

<sup>2</sup> The Appraisal Foundation, USPAP, 2020-2022

## Scope of Work

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered, and analysis is applied.

### INTENDED USE OF REPORT

This appraisal is to be used for financing and no other use is permitted..

### CLIENT

The client is RED RIVER STATE BANK.

### INTENDED USER OF REPORT

This appraisal is to be used by RED RIVER STATE BANK, and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.<sup>3</sup>

### PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

### DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;

---

<sup>3</sup> Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. <sup>4</sup>

## INTEREST APPRAISED

The value estimated represents the leased fee interest as defined below:

*Leased Fee Interest* – A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a controlled landlord-tenant relationship (i.e., a lease). <sup>5</sup>

## Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description

## Extent to Which the Property is Inspected

Matthew Johnson inspected the subject property and the surrounding environs on the effective date of appraisal. The inspection was considered to provide an adequate representation of the subject and is the basis for our findings.

## Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable data

## Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

---

<sup>4</sup> Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

<sup>5</sup> Appraisal Institute, The Dictionary of Real Estate Appraisal, 6<sup>th</sup> ed. (Chicago: Appraisal Institute, 2015), 90.



## Data Resources Utilized in the Analysis

DATA SOURCES	
Item:	Source(s):
<b>Site Data</b>	
Size	County Records
<b>Improved Data</b>	
Building Area	Building Plans and Rent Roll
No. Bldgs.	Building Plans
Parking Spaces	Building Plans
Year Built/Developed	Information Provided by Property Ownership
<b>Economic Data</b>	
Deferred Maintenance:	None - New Construction
Building Costs:	Construction Cost Statement and Marshall & Swift Cost Guide
Income Data:	Rent Roll, Pro Forma and Market Data
Expense Data:	Pro Forma and Market Data
Compiled by CBRE	

## APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

### Cost Approach

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

### Sales Comparison Approach

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

### Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two

common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

### Methodology Applicable to the Subject

In valuing the subject, all three approaches are applicable and have been utilized.

### COST TO ACHIEVE STABILIZED OPERATIONS

The cost estimates employed for this approach are reflective of a property operating at a stabilized level. A stabilized occupancy for the subject has been estimated to be 96.0%, while the subject is currently operating at 0.0%. Consequently, an adjustment is warranted.

As the subject is currently below a stabilized occupancy position, it requires a deduction for lease-up to stabilization. Based upon a Lease-Up Discount Analysis over an absorption period of 6 months, an adjustment of \$700,000 for the subject has been estimated. This deduction includes a profit deduction of \$500,000, which equates to 4.4% of our stabilized value indication. Our lease-up assumes 20% in pre-leasing at time of completion.

The Lease-Up Discount Analysis schedule is presented below. This analysis utilizes assumptions developed in the market analysis and income capitalization approach and will be deducted as a line item from each approach in order to render an "as complete" value estimate.

LEASE UP DISCOUNT SCHEDULE							
Month	1	2	3	4	5	6	7
<b>AS-STABILIZED</b>							
Potential Rental Income	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900
Vacancy & Credit Loss (%)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Vacancy & Credit Loss (\$)	(\$3,036)	(\$3,036)	(\$3,036)	(\$3,036)	(\$3,036)	(\$3,036)	(\$3,036)
Net Rental Income	\$72,864	\$72,864	\$72,864	\$72,864	\$72,864	\$72,864	\$72,864
Other Income	\$5,466	\$5,466	\$5,466	\$5,466	\$5,466	\$5,466	\$5,466
Effective Gross Income	\$78,330	\$78,330	\$78,330	\$78,330	\$78,330	\$78,330	\$78,330
Total Expenses	(\$23,408)	(\$23,408)	(\$23,408)	(\$23,408)	(\$23,408)	(\$23,408)	(\$23,408)
Net Operating Income	\$54,922	\$54,922	\$54,922	\$54,922	\$54,922	\$54,922	\$54,922
<b>AS-IS</b>							
Potential Rental Income	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900	\$75,900
Vacancy & Credit Loss (%)	80.0%	67.3%	54.7%	42.0%	29.3%	16.7%	4.0%
Vacancy & Credit Loss (\$)	(\$60,720)	(\$51,106)	(\$41,492)	(\$31,878)	(\$22,264)	(\$12,650)	(\$3,036)
Net Rental Income	\$15,180	\$24,794	\$34,408	\$44,022	\$53,636	\$63,250	\$72,864
Other Income	\$1,139	\$1,860	\$2,581	\$3,302	\$4,024	\$4,745	\$5,466
Effective Gross Income	\$16,319	\$26,654	\$36,989	\$47,324	\$57,660	\$67,995	\$78,330
Total Expenses (30% Variable)	(\$17,849)	(\$18,775)	(\$19,702)	(\$20,629)	(\$21,555)	(\$22,482)	(\$23,408)
Net Operating Income	(\$1,530)	\$7,879	\$17,287	\$26,696	\$36,105	\$45,513	\$54,922
NOI Differential	\$56,452	\$47,043	\$37,635	\$28,226	\$18,817	\$9,409	\$0
Tenant Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leasing Commissions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Total	\$56,452	\$47,043	\$37,635	\$28,226	\$18,817	\$9,409	\$0
Plus: Profit @ \$500,000	\$83,333	\$83,333	\$83,333	\$83,333	\$83,333	\$83,333	\$0
Total Lease-Up Cost	\$139,785	\$130,377	\$120,968	\$111,559	\$102,151	\$92,742	\$0
Discounted @ 0.00%	\$139,785	\$130,377	\$120,968	\$111,559	\$102,151	\$92,742	\$0

<b>Indicated Lease-Up Discount</b>	<b>\$697,582</b>
<b>Rounded</b>	<b>\$700,000</b>
<b>Compiled by CBRE</b>	

## Area Analysis



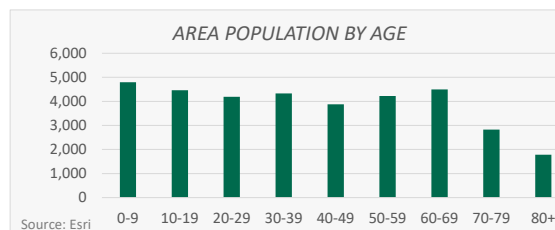


The city of Watertown is located in eastern South Dakota off Interstate 29. The city of Watertown is located approximately 115 miles north of Sioux Falls, 145 miles south of Fargo and 200 miles west of Minneapolis.

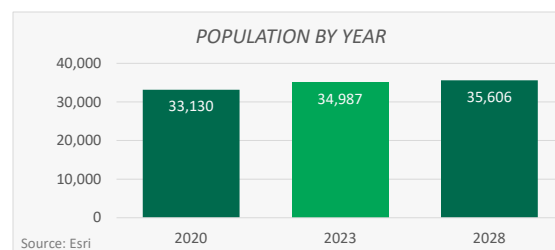
The subject is located in the Watertown, SD Micropolitan Statistical Area. Key information about the area is provided in the following tables.

## POPULATION

The area has a population of 34,987 and a median age of 39, with the largest population group in the 0-9 age range and the smallest population in 80+ age range.

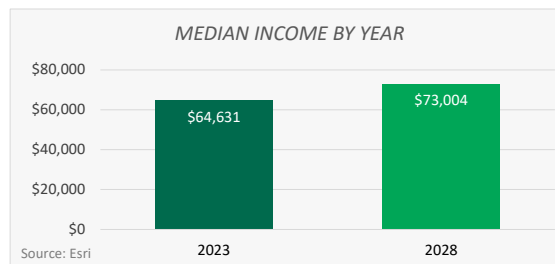


Population has increased by 1,857 since 2020, reflecting an annual increase of 1.8%. Population is projected to increase by an additional 619 by 2028, reflecting 0.4% annual population growth.



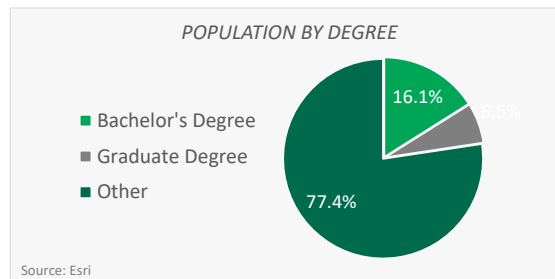
## INCOME

The area features an average household income of \$81,252 and a median household income of \$64,631. Over the next five years, median household income is expected to increase by 13.0%, or \$1,675 per annum.

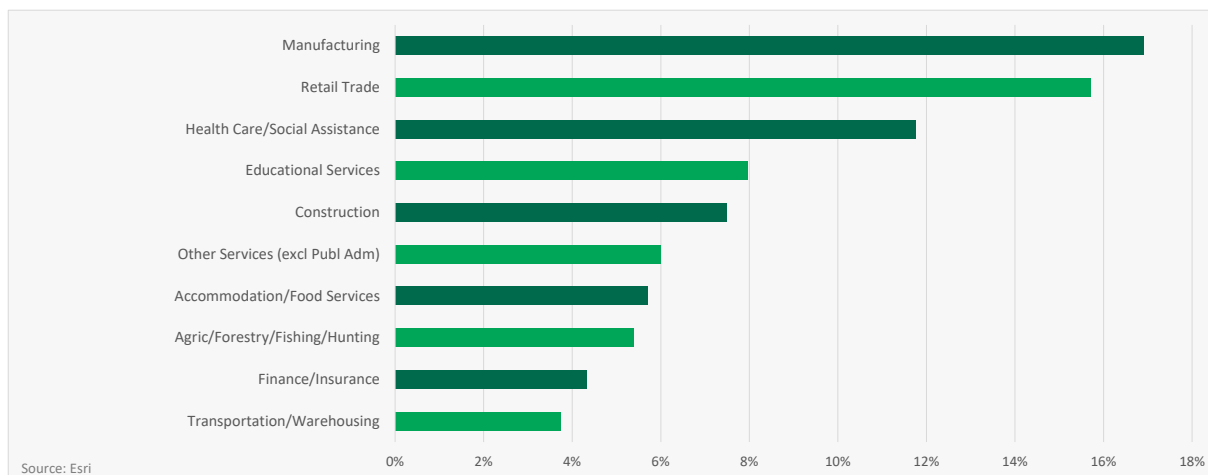


## EDUCATION

A total of 22.6% of individuals over the age of 24 have a college degree, with 16.1% holding a bachelor's degree and 6.6% holding a graduate degree.



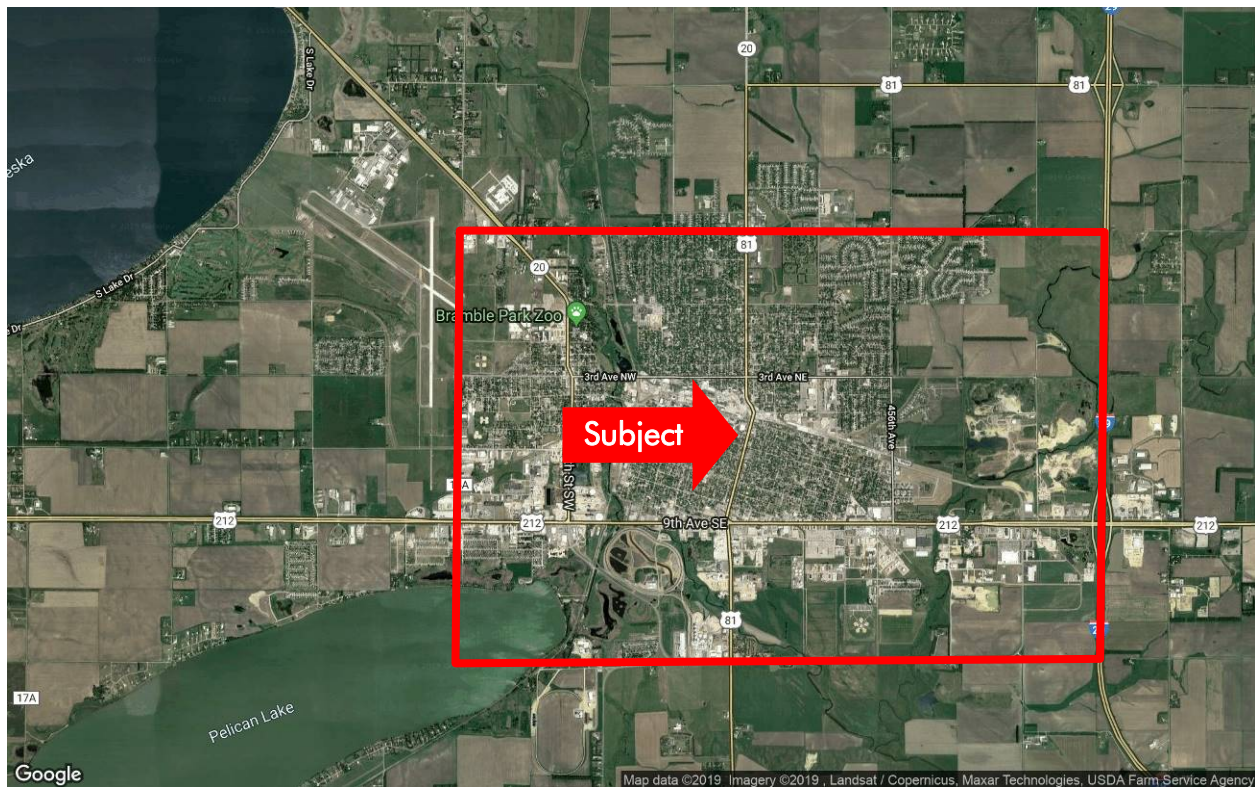
## EMPLOYMENT



The area includes a total of 18,822 employees and has a 1.3% unemployment rate. The top three industries within the area are Manufacturing, Retail Trade and Health Care/Social Assistance, which represent a combined total of 44% of the population.

In summary, the subject is forecasted to experience an increase in population, an increase in household income, and an increase in household values.

## Neighborhood Analysis



### LOCATION

The subject is in the city of Watertown which is small community in eastern South Dakota. The city of Watertown is situated in Codington County, in eastern South Dakota along Highway 212 and Interstate 29.

### BOUNDARIES

The neighborhood boundaries generally consist of the city limits of Watertown.

### LAND USE AND GROWTH PATTERNS

The subject property is located in downtown Watertown. The downtown Watertown area has a “main street” style development with older commercial buildings with shared common walls and street parking. The surrounding commercial uses generally include local restaurants, shops, offices, banks, libraries, museums and other services.

Highway 212 is the primary commercial corridor as is I-29. A large amount of apartment growth has occurred within downtown Watertown over the past several. This includes The Lofts, Parkside Place and Generations on 1<sup>st</sup>, The Oaks, just to name a few. In addition, there are two under construction projects in the downtown area.

In addition to this project, there are three multifamily apartment projects on the southeastern side of town. These projects include The Oaks (2019), One Willow Creek (2016) and Two Willow Creek (2018).

## ACCESS

The subject is located in the center of downtown Watertown and has good access to Highway 81, Highway 212 and Interstate 29.

## DEMOGRAPHICS

Selected neighborhood demographics in 1-, 3- and 5-mile radius from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS				
315 E Kemp Avenue Watertown, SD 57201	1 Mile Radius	3 Mile Radius	5 Mile Radius	Watertown, SD Micropolitan
<b>Population</b>				
2028 Total Population	10,477	21,968	23,998	35,606
2023 Total Population	10,286	21,310	23,343	34,987
2010 Total Population	10,010	20,039	21,951	33,130
2000 Total Population	10,038	19,102	20,871	31,437
Annual Growth 2023 - 2028	0.37%	0.61%	0.56%	0.35%
Annual Growth 2010 - 2023	0.91%	2.07%	2.07%	1.83%
Annual Growth 2000 - 2010	-0.03%	0.48%	0.51%	0.53%
<b>Households</b>				
2028 Total Households	4,901	9,686	10,463	14,728
2023 Total Households	4,767	9,348	10,125	14,422
2010 Total Households	4,597	8,674	9,364	13,540
2000 Total Households	4,450	7,896	8,491	12,405
Annual Growth 2023 - 2028	0.56%	0.71%	0.66%	0.42%
Annual Growth 2010 - 2023	1.22%	2.53%	2.64%	2.13%
Annual Growth 2000 - 2010	0.33%	0.94%	0.98%	0.88%
<b>Income</b>				
2023 Median Household Income	\$50,680	\$57,979	\$59,482	\$64,631
2023 Average Household Income	\$62,764	\$75,469	\$77,282	\$81,252
2023 Per Capita Income	\$29,104	\$33,314	\$33,841	\$33,526
2023 Pop 25+ College Graduates	1,121	3,149	3,540	5,387
Age 25+ Percent College Graduates - 2023	15.6%	21.5%	22.0%	22.6%
Source: ESRI				

## CONCLUSION

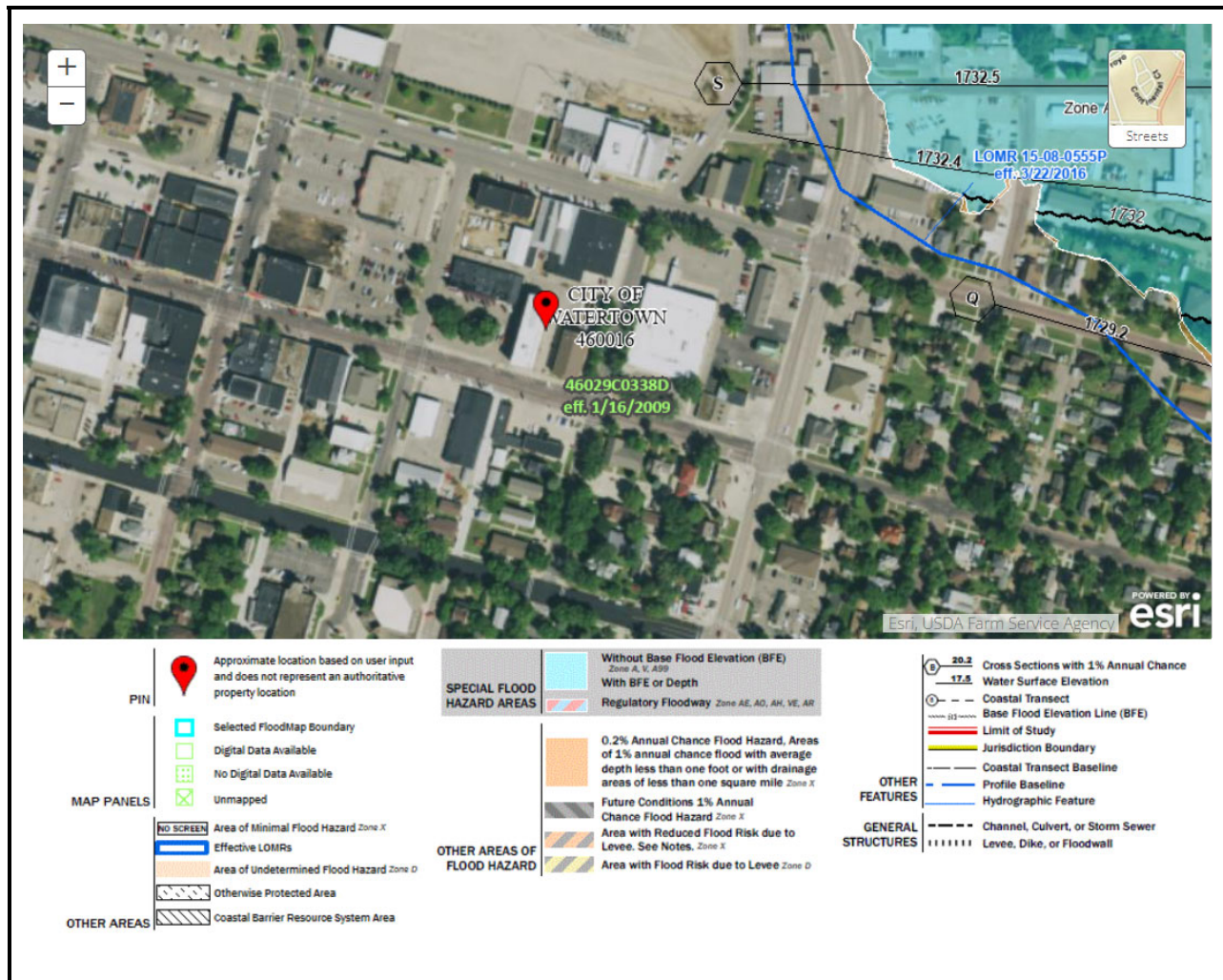
The city of Watertown has witnessed moderate growth over the past several years relative to population and households. The subject property is adequately situated for a multifamily project in the center of downtown Watertown in close proximity to restaurants, shops and other services. The neighborhood is best described as an established one with limited growth anticipated.



## AERIAL PARCEL MAP



## FLOOD PLAIN MAP





## Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
<b>Physical Description</b>			
Gross Site Area	0.84 Acres	36,645 Sq. Ft.	
Primary Road Frontage	East Kemp	128 Feet	
Excess Land Area	None	n/a	
Surplus Land Area	None	n/a	
Shape	Irregular		
Topography	Generally Level		
Parcel Number(s)	9352		
Zoning District	C1: Community Commercial		
Flood Map Panel No. & Date	46029C0338D	16-Jan-09	
Flood Zone	Zone X (Unshaded)		
Adjacent Land Uses	Commercial and residential uses		
<b>Comparative Analysis</b>		<b>Rating</b>	
Visibility	Average		
Functional Utility	Average		
Traffic Volume	Average		
Adequacy of Utilities	Average		
Landscaping	Average		
Drainage	Assumed adequate		
<b>Other</b>	<b>Yes</b>	<b>None Known</b>	<b>Unknown</b>
Detrimental Easements		X	
Encroachments		X	
Deed Restrictions		X	
Reciprocal Parking Rights		X	

Source: Various sources compiled by CBRE

## INGRESS/EGRESS

Vehicular ingress/egress will be available to the site via East Kemp Avenue. Pedestrian access will be available along East Kemp Avenue as well as a city owned park to the west of the improvements.

## EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

## COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions or restrictions impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain

a copy of the current covenants, conditions and restrictions, if any, prior to making a business decision.

### **ENVIRONMENTAL ISSUES**

Although CBRE was not provided an Environmental Site Assessment (ESA), a tour of the site did not reveal any obvious issues regarding environmental contamination or adverse conditions.

The appraiser is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

### **ADJACENT PROPERTIES**

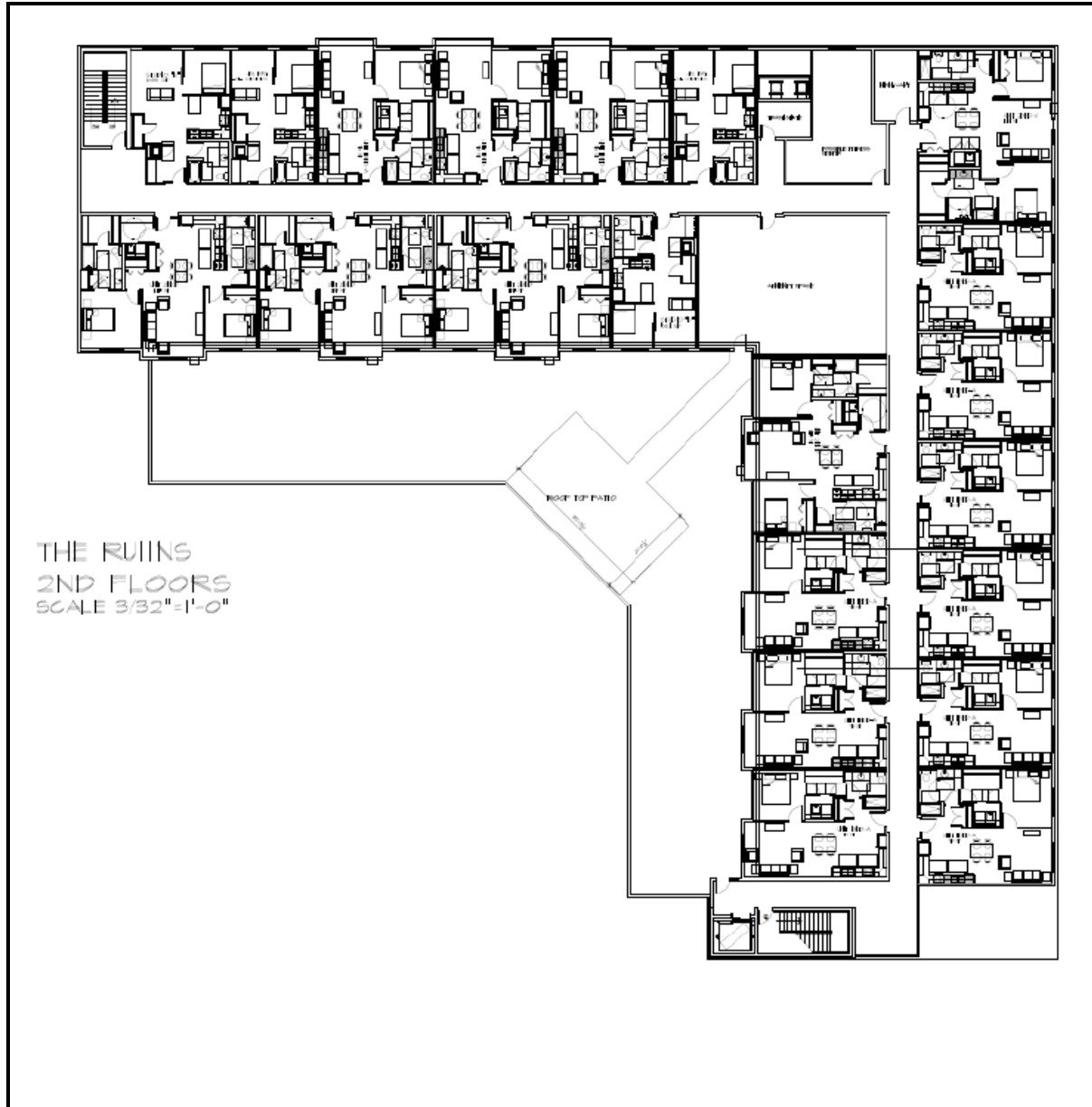
The subject property is in downtown Watertown and the adjacent uses generally consist of various restaurants, shops, offices, banks and general service properties. The site is well located in an established area of downtown.

### **CONCLUSION**

The subject site is located within the downtown area of Watertown. Overall, the site is considered to have average functional utility and average to good locational characteristics for a property in downtown Watertown.

[illegible]

## IMPROVEMENTS LAYOUT – FLOORS 2-4



## Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY AND ANALYSIS					
Property Type	Mixed Use	(Multifamily/Commercial)			
Number of Buildings	1				
Number of Stories (Above Grade)	4				
Gross Building Area (Including Parking Garage)	100,908 SF				
Net Rentable Area (Commercial Only)	1,200 SF				
Net Rentable Area (Apartments Only)	53,967 SF				
Number of Apartment Units	63				
Average Unit Size	857 SF				
Development Density	74.9 Units/Acre				
Parking Improvements	First Floor Slab on Grade				
Parking Spaces:	64				
Parking Ratio (spaces/unit)	1.02				
Year Built	2024				
Actual Age	0 Years				
Effective Age	0 Years				
Total Economic Life	55 Years				
Remaining Economic Life	55 Years				
Age/Life Depreciation	0.0%				
Functional Utility	Typical				
Source: Various sources compiled by CBRE					
UNIT MIX					
Unit Mix/Type	Comments	No. Units	Percent of Total	Unit Size (SF)	NRA (SF)
1BD/1Ba	One Bedroom Apartment	27	42.9%	716	19,332
2BD/1Ba	2 Bedroom Apartment	21	33.3%	1,195	25,095
Studio	Efficiency/Studio Apartment	15	23.8%	636	9,540
Total/Average:		63	100.0%	857	53,967
Source: Various sources compiled by CBRE					

## YEAR BUILT

The subject is scheduled to be completed in January of 2024.

## CONSTRUCTION CLASS

Building construction class is as follows:

C - Masonry/concrete ext. walls & wood/steel roof & floor struct., exc. concrete slab on grade

D - Wood frame, floor and structure; considered combustible

The construction components are assumed to be in working condition and adequate for the building.

The overall quality of the facility is considered to be average to good for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

## **FOUNDATION/FLOOR STRUCTURE**

The foundation is assumed to be of adequate load-bearing capacity to support the improvements. The floor structure is summarized as follows:

Ground Floor:	Concrete slab on compacted fill
Other Floors:	Plywood deck with light-weight concrete cover

## **EXTERIOR WALLS**

The exterior walls on the first floor will be precast concrete with brick veneer. The upper-level floors will be wood framed with a combination of brick veneer, hardie board and stucco siding.

## **ROOF COVER**

The subject will have a flat roof deck with built up composition.

## **ELEVATOR/STAIR SYSTEM**

The improvements will include one passenger elevator and two interior stairwells that will provide access to all floors of the subject.

## **HVAC**

The subject apartment units will be heated by electric baseboards and cooled by through the wall mounted air conditioning units. The ground floor commercial use will be heated/cooled through rooftop mounted units.

## **UTILITIES**

Each unit is individually metered for electrical usage. Current operations indicate the landlord is responsible for water and sewer costs to the individual units with the tenants paying all other utility costs. The commercial tenant will be responsible for all utility payments.

## **LIFE SAFETY AND FIRE PROTECTION**

The improvements will be 100% sprinklered by a wet system. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

## **PROJECT AMENITIES**

The project will include a Class A amenity package including under building parking, fitness center, community room and roof top terrace.



## **UNIT AMENITIES**

### **Kitchens**

Each unit features a full appliance package including an electric range/oven, frost-free refrigerator with icemaker, garbage disposal, dishwasher, and built-in microwave oven. Additionally, each unit features wood cabinets with granite countertops and vinyl plank flooring.

### **Bathrooms**

The bathrooms within each unit feature a tub/shower combo with plastic insert. Additionally, each bathroom features a commode, wood cabinet with built-in porcelain sink, wall-mounted shelving with vanity mirror and vinyl tile flooring.

### **Interior Features**

Each unit includes walk in closets and in unit washers/dryers.

### **Interior Lighting**

Each unit features incandescent lighting in appropriate interior locations.

### **Patios, Balconies and Storage**

The units will include a balcony. There will be 28 storage units that will be rented separately from the in unit rent.

## **SITE AMENITIES**

### **Parking and Drives**

The subject property will include a heated parking garage with 64 stalls. The appraisers projections are for these stalls to be charged separately in addition to the monthly rent.

### **Landscaping**

Landscaping will be considered to be in average condition and well maintained.

## **FUNCTIONAL UTILITY**

All of the floor plans are considered to feature functional layouts and the layout of the overall project is considered functional in utility. Therefore, the unit mix is also functional, and no conversion is warranted to the proposed improvements.

## **ADA COMPLIANCE**

All common areas of the property appear to have handicap accessibility. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

## **FURNITURE, FIXTURES AND EQUIPMENT**

The apartment units are rented on an unfurnished basis. However, miscellaneous maintenance tools are examples of personal property associated with, and typically included in the sale of,

multifamily apartment complexes. Our market value assumes any FF&E at the property would transfer if the property were to sell. This is consistent with how buyers and sellers analyze similar properties.

## ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. The subject involves modern building components and there is no reason to believe hazardous building materials were used in constructing the subject property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

## ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life (as of our estimated date of stabilization) is depicted in the following chart:

ECONOMIC AGE AND LIFE	
Actual Age	0 Years
Effective Age	0 Years
MVS Expected Life	55 Years
Remaining Economic Life	55 Years
Accrued Physical Incurable Depreciation	0.0%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

## CONCLUSION

Upon completion, the improvements will be in new (good) overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

## Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	C1: Community Commercial
Legally Conforming	Yes
Uses Permitted	Various retail, service establishments, entertainment, financial institutions, office, parking lots, apartments, restaurants and various other uses
Zoning Change	Not likely
Category	Zoning Requirement
Minimum Lot Size	10,000 Sq. Ft.
Minimum Lot Width	None
Maximum Height	60 Feet
Minimum Setbacks	
Front Yard	0 Feet
Street Side Yard	0 Feet
Interior Side Yard	0 Feet
Rear Yard	0 Feet
Source: Planning & Zoning Dept.	

## ANALYSIS AND CONCLUSION

According to the developer, all necessary approvals are in place for the proposed development. As a result, the proposed improvements represent a legally conforming use and, if damaged, may be restored without special permit application. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct. This appraisal assumes that all necessary city approvals are granted for the proposed development, as described herein.

## Tax and Assessment Data

The subject property is under construction and the current taxes are not applicable. The following chart summarizes CBRE's estimate.

AD VALOREM TAX INFORMATION			
Parcel	Assessor's Parcel No.	Parcel Description	Pro Forma
1	9352	Subject Property	
		Subtotal	\$5,355,000
		Assessed Value @	100%
			\$5,355,000
		General Tax Rate (per \$100 A.V.)	1.508130
		General Tax:	\$80,760
		Special Assessments:	-
		Effective Tax Rate (per \$100 A.V.)	1.508130
		<b>Total Taxes</b>	<b>\$80,760</b>
Source: Assessor's Office			

The property is taxed on an ad valorem basis, or on property value with the real estate tax due in the year following the valuation. The law specifically requires that assessors view each parcel of real estate to appraise its market value. This requires periodic physical inspection of all properties subject to assessment. State law also requires that the value and classification of real estate be established each year.

Real estate taxes are paid one year in arrears. (Example: In the year 2023, property owners will be paying 2022 real estate taxes.) Real estate tax notices are mailed to property owners in January. Taxes in South Dakota are due and payable the first of January, however the first half of property tax payments are accepted until April 30th without penalty. The second half of property tax payments will be accepted until October 31. All special assessments are due in full on or before April 30. In addition, all taxes under \$50 are due and payable in full on or before April 30.

## TAX COMPARABLES

In order to estimate the subject's applicable real estate taxes, CBRE, Inc. has reviewed the real estate tax information according to Codington County for comparable properties in the market area. The following table summarizes the comparables employed for this analysis:

<b>AD VALOREM TAX COMPARABLES</b>			
Comparable Rental	One Willow Creek, Watertown	Skott Apartments, Watertown	Subject
Year Built	2016	2011	2024
No. Units	44	39	63
Tax Year	2023	2023	2023
<b>Assessor's Market Value (2022)</b>	\$3,750,490	\$3,315,772	\$5,355,000
<b>AV Per Unit</b>	\$85,238	\$85,020	\$85,000
Combined Tax Rate (per \$100 A.V.)	1.508130	1.508130	1.508130
<b>Total Taxes (2022 Payable)</b>	\$56,562	\$50,006	\$80,760
<b>Per Unit</b>	\$1,286	\$1,282	\$1,282
Source: Assessor's Office			

## CONCLUSION

Based on the foregoing, the total taxes for the subject have been estimated as \$80,760 for the base year of our analysis, based upon an assessed value of \$5,355,000 or \$85,000 per square foot. This concluded assessed value is 47% of our concluded stabilized market value and is considered reasonable given the tax comparables summarized above.

For purposes of this analysis, CBRE, Inc. assumes that all taxes are current.

## Market Analysis

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include CoStar, Axiometrics and PwC Real Estate Investor Survey.

The subject is in the Watertown market and is considered a Class B mid-rise apartment community.

## DEMOGRAPHIC ANALYSIS

Demand for residential properties is a direct function of demographic characteristics analyzed on the following pages.

### Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject neighborhood with primary focus on the entire city of Watertown.

POPULATION AND HOUSEHOLD PROJECTIONS				
	1 Mile Radius	3 Mile Radius	5 Mile Radius	Watertown, SD Micropolitan Statistical Area
<b>Population</b>				
2028 Total Population	10,477	21,968	23,998	35,606
2023 Total Population	10,286	21,310	23,343	34,987
2010 Total Population	10,010	20,039	21,951	33,130
2000 Total Population	10,038	19,102	20,871	31,437
Annual Growth 2023 - 2028	0.37%	0.61%	0.56%	0.35%
Annual Growth 2010 - 2023	0.91%	2.07%	2.07%	1.83%
Annual Growth 2000 - 2010	-0.03%	0.48%	0.51%	0.53%
<b>Households</b>				
2028 Total Households	4,901	9,686	10,463	14,728
2023 Total Households	4,767	9,348	10,125	14,422
2010 Total Households	4,597	8,674	9,364	13,540
2000 Total Households	4,450	7,896	8,491	12,405
Annual Growth 2023 - 2028	0.56%	0.71%	0.66%	0.42%
Annual Growth 2010 - 2023	1.22%	2.53%	2.64%	2.13%
Annual Growth 2000 - 2010	0.33%	0.94%	0.98%	0.88%

Source: ESRI

As shown, the subject's neighborhood is experiencing moderate positive increases in both population and households.

### Income Distributions

Household income available for expenditure on housing and other consumer items is a primary factor in determining the price/rent level of housing demand in a market area. In the case of this study, projections of household income, particularly for renters, identifies in gross terms the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.



HOUSEHOLD INCOME DISTRIBUTION				
Households by Income Distribution (2023)	1 Mile Radius	3 Mile Radius	5 Mile Radius	Watertown, SD Micropolitan Statistical Area
<\$15,000	15.63%	12.83%	12.16%	10.07%
\$15,000 - \$24,999	9.23%	8.46%	8.26%	7.38%
\$25,000 - \$34,999	8.52%	6.79%	6.56%	6.28%
\$35,000 - \$49,999	15.73%	13.87%	13.79%	12.77%
\$50,000 - \$74,999	20.96%	19.49%	19.38%	19.97%
\$75,000 - \$99,999	14.68%	15.21%	15.53%	16.86%
\$100,000 - \$149,999	12.29%	17.79%	18.29%	19.89%
\$150,000 - \$199,999	1.70%	2.29%	2.58%	3.29%
\$200,000+	1.26%	3.28%	3.48%	3.50%

Source: ESRI

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS				
Income	1 Mile Radius	3 Mile Radius	5 Mile Radius	Watertown, SD Micropolitan Statistical Area
2023 Median Household Income	\$50,680	\$57,979	\$59,482	\$64,631
2023 Average Household Income	\$62,764	\$75,469	\$77,282	\$81,252
2023 Per Capita Income	\$29,104	\$33,314	\$33,841	\$33,526

Source: ESRI

An analysis of the income data indicates that the submarket is generally comprised of middle income economic cohort groups, which include the target groups to which the subject is oriented.

### Employment

An employment breakdown typically indicates the working-class characteristics for a given market area. The specific employment population within the indicated radii of the subject is as follows:

EMPLOYMENT BY INDUSTRY				
Occupation (2023)	1 Mile Radius	3 Mile Radius	5 Mile Radius	Watertown, SD Micropolitan Statistical Area
Agric/Forestry/Fishing/Hunting	3.43%	3.52%	3.78%	5.47%
Construction	5.32%	5.92%	6.02%	7.61%
Manufacturing	16.93%	17.88%	17.84%	17.18%
Wholesale Trade	3.10%	2.67%	2.70%	2.45%
Retail Trade	15.92%	16.79%	16.78%	15.97%
Transportation/Warehousing	3.76%	3.35%	3.35%	3.81%
Information	1.74%	1.27%	1.30%	1.26%
Finance/Insurance	5.63%	4.69%	4.68%	4.40%
Prof/Scientific/Tech Services	2.26%	1.92%	1.87%	1.94%
Mgmt of Companies/Enterprises	0.00%	0.00%	0.00%	0.00%
Admin/Support/Waste Mgmt Svcs	3.85%	2.97%	2.97%	2.79%
Educational Services	6.35%	7.59%	7.69%	8.08%
Health Care/Social Assistance	11.37%	12.59%	12.49%	11.95%
Arts/Entertainment/Recreation	2.64%	1.96%	1.93%	1.73%
Accommodation/Food Services	8.11%	6.86%	6.78%	5.79%
Other Services (excl Publ Adm)	6.77%	6.17%	6.07%	6.10%
Public Administration	2.82%	3.86%	3.75%	3.46%

Source: ESRI

The previous table illustrates the employment character of the submarket, indicating a predominantly middle-income employment profile, with the majority of the population holding manufacturing, retail and health care position.

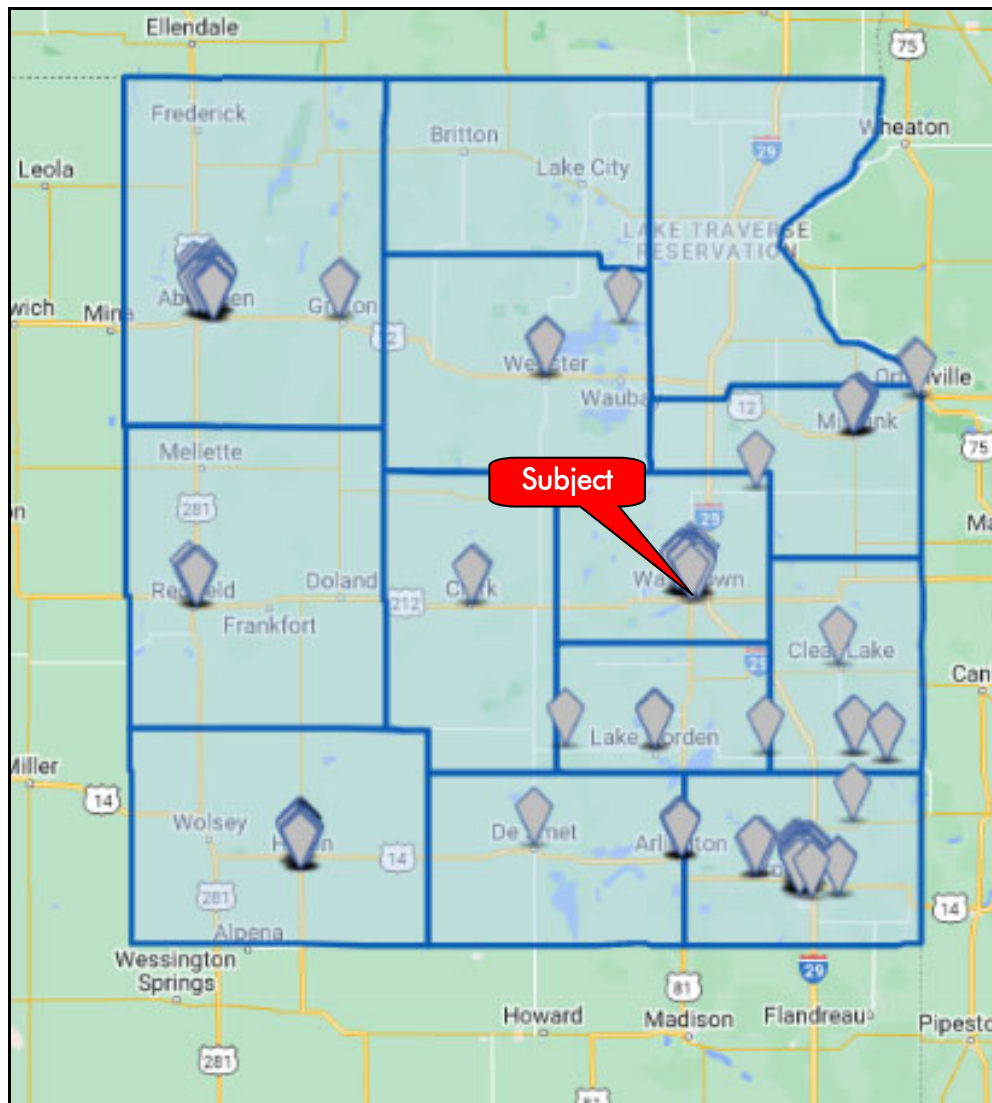
### Outlook

Based on this analysis, the immediate area surrounding the subject is projected to experience moderate, positive growth relative to households and population into the near future. Given the area demographics, it appears that demand for both comparable surrounding area apartment units and the subject will continue to be favorable.

### NORTHEAST SOUTH DAKOTA APARTMET MARKET ANALYSIS

The following discussion illustrates some general observations in the industrial market in Northeast South Dakota.

## Market Area



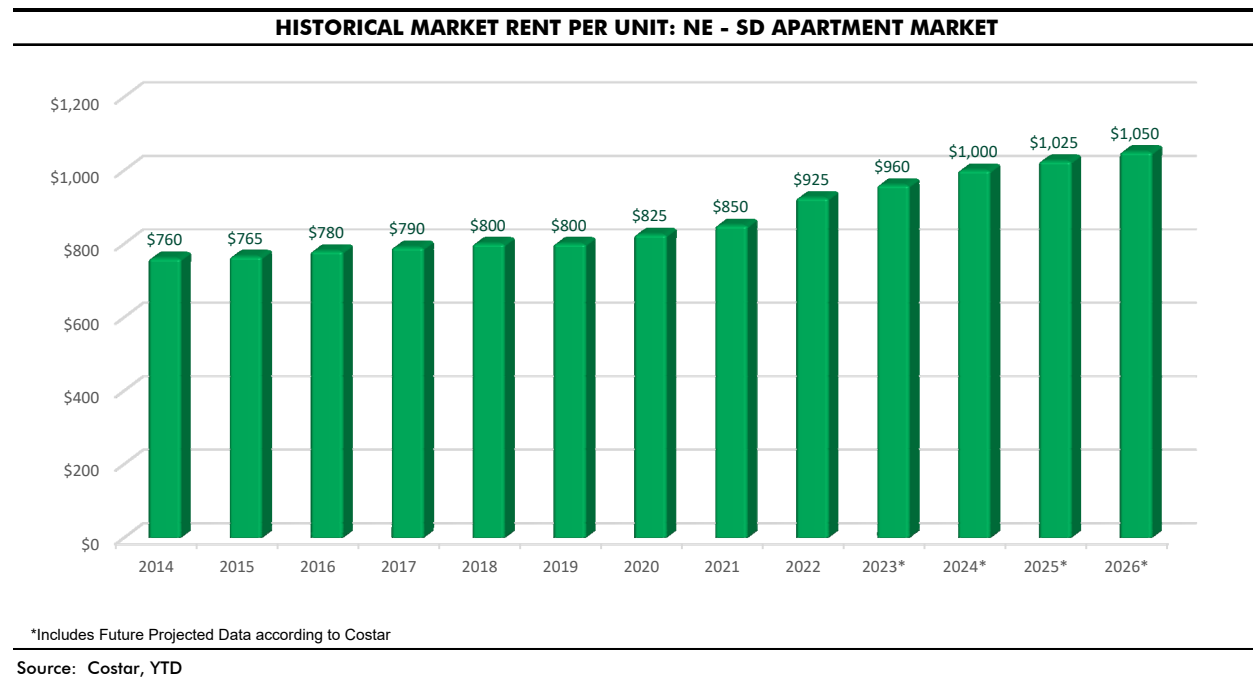
Included Counties are Brown, Spink, Beadle, Marshall, Roberts, Day, Grant, Clark, Codington, Deuel, Hamlin, Kingsbury, and Brookings. This area includes four major markets, or Aberdeen, Watertown, Brookings and Huron, and numerous smaller communities and rural areas.

## COSTAR MARKET STATISTICS

Per Co-Star, the multifamily market in the NE South Dakota, including Brown, Beadle, Spink, Kingsbury, Hamlin, Codington, Day, Clark, Marshall, Roberts, Grant, Deuel, and Brookings County, is currently 9.4% vacant with the average market rent at \$872/Unit. Rental rates have been steadily increasing since 2011 and are projected to increase again in 2023 and continue to increase over the next four years. CoStar estimates the marketing time at 9 months for a 50% threshold for a probability of selling.

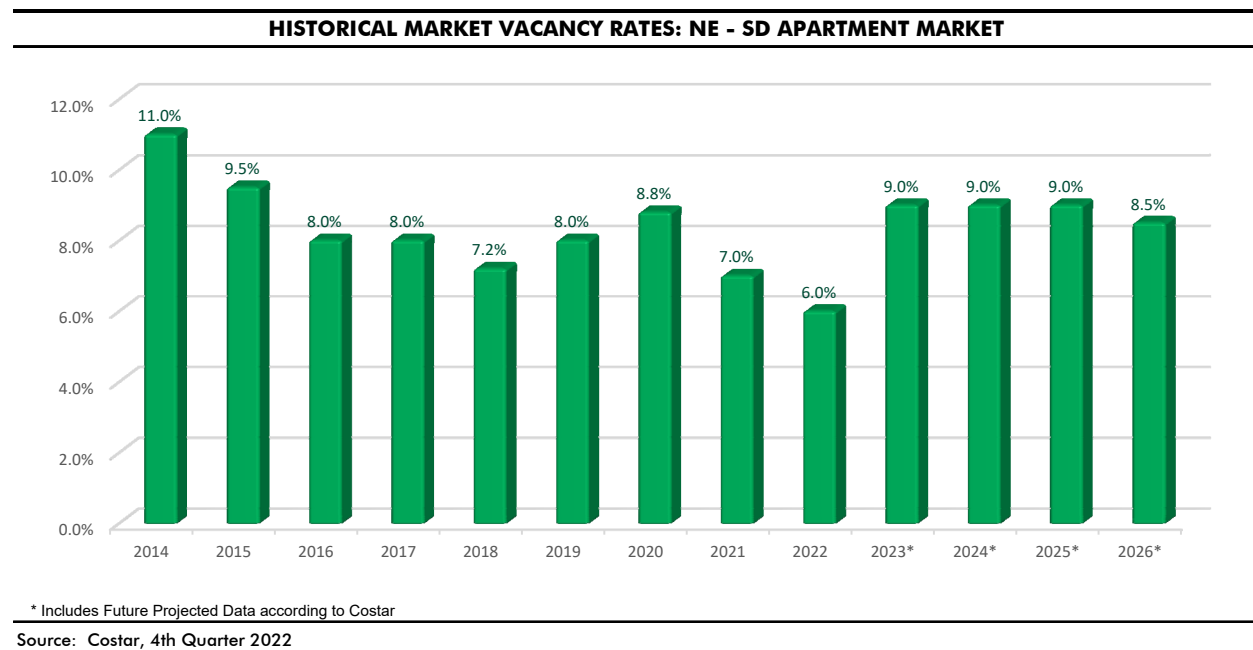
The tables below from CoStar Research Analytics present a five-year trend history for various market information:

### Market Rent/Unit



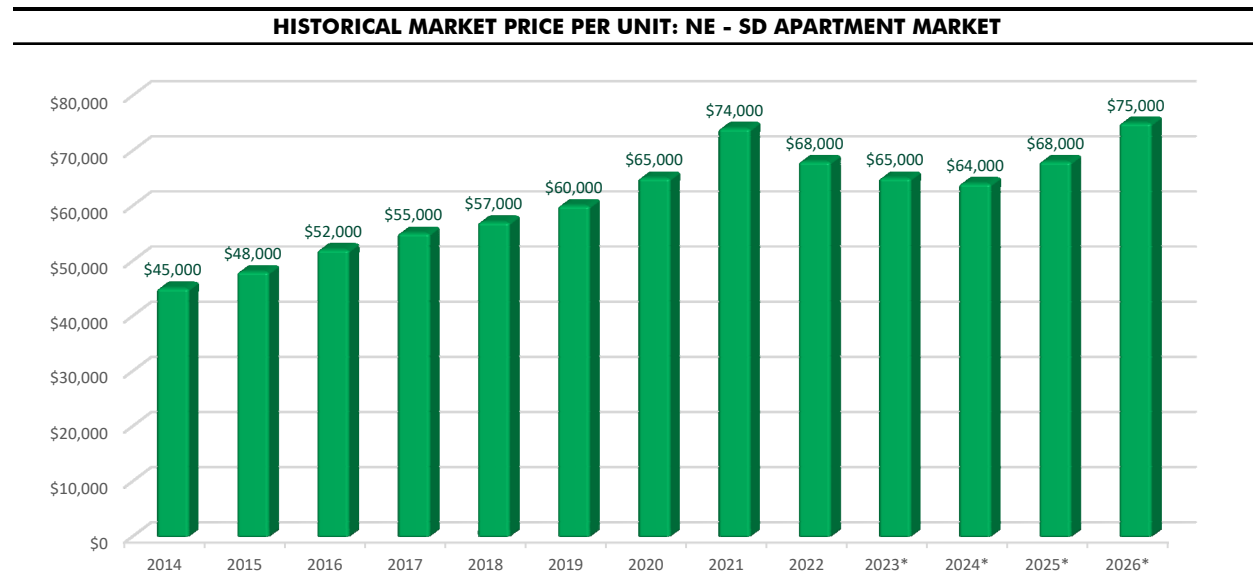
Market rent per unit has steadily increased over the five years. At the end of the current year the average market effective rent per unit is projected to be \$960/Unit.

### Vacancy Rate



Vacancy has been at an all time high in 2014 at 11% and has since been relatively stable in between 7% and 9% over the last nine years, with the exception of a low at 6% in 2022. Vacancy is projected to be at 9% at the end of the current year and remain stable for the next three years.

### Market Sale Price Per Unit

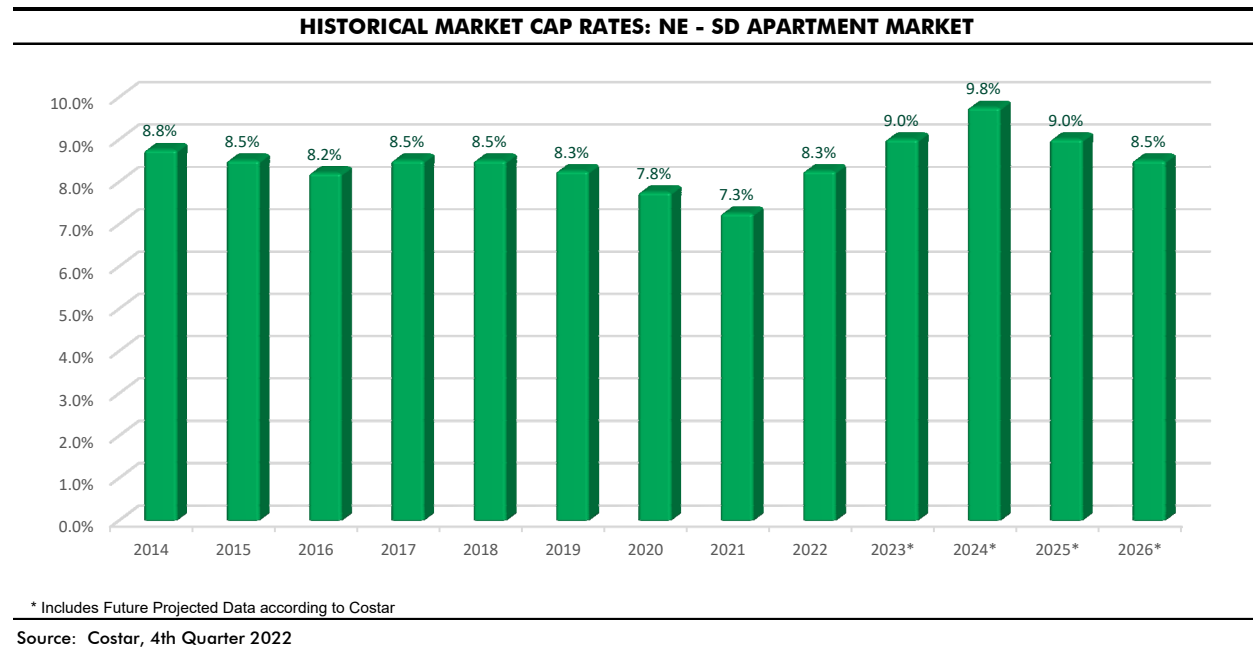


\*Includes Future Projected Data according to Costar

Source: Costar, YTD

While market sale price per unit has steadily increased over the last ten years, it saw a slight dip over the last four years. However, it is projected to slowly increase over the next five years. At the end of the current year the average market sale price is projected to be \$65,000/unit.

## Market Cap Rate



The average market cap rate is projected to be at 9% at the end of the current year and is forecasted to increase again in 2024 before reversing course and declining in 2025 & 2026 back to current levels.

## CITY OF WATERTOWN MARKET

The following information was provided by a Maxfield Research & Consulting report dated June 13, 2023 prepared for The Watertown Development Company.

### Market Rent

The following is the monthly rent ranges and average rent for new market rate units delivered since 2019:

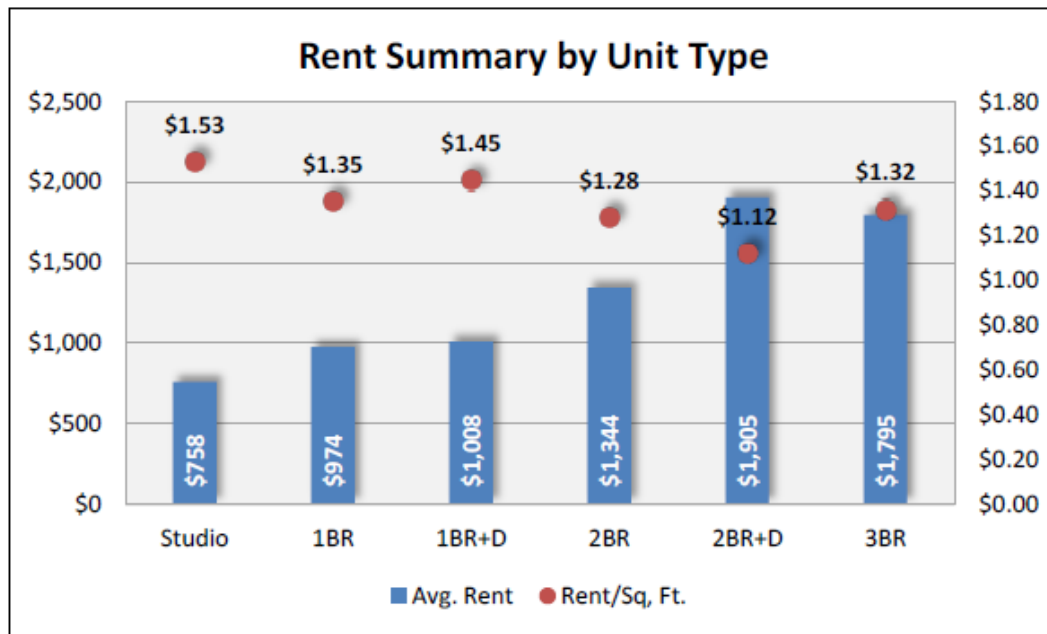
- Efficiency units: \$725 to \$937 \$758 average
- One-bedroom units: \$839 to \$1,008 \$975 average
- Two-bedroom units: \$1,075 to \$1,905 \$1384 average
- Three-bedroom units: \$1,795 to \$1,795 \$1,795 average



TABLE R-1 BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS WATERTOWN MARKET AREA 2021							
	City of Watertown		Remainder of MA		Codington County		SD
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	3,699	100%	268	100%	3,967	100%	100%
Median Gross Rent	\$822		\$812		\$818		\$809
No Bedroom	197	5%	3	1%	200	5%	5%
Less than \$200	197	5%	3	1%	200	5%	4%
\$200 to \$299	11	0%	3	1%	14	0%	0%
\$300 to \$499	60	2%	0	0%	60	2%	1%
\$500 to \$749	61	2%	0	0%	61	2%	1%
\$750 to \$999	6	0%	0	0%	6	0%	1%
\$1,000 to \$1,499	0	0%	0	0%	0	0%	0%
\$1,500 or more	59	2%	0	0%	59	1%	0%
No cash rent	0	0%	0	0%	0	0%	0%
1 Bedroom	856	23%	60	22%	916	23%	23%
Less than \$200	840	23%	54	20%	894	23%	23%
\$200 to \$299	112	3%	3	1%	115	3%	3%
\$300 to \$499	136	4%	7	3%	143	4%	4%
\$500 to \$749	338	9%	26	10%	364	9%	8%
\$750 to \$999	86	2%	3	1%	89	2%	5%
\$1,000 to \$1,499	86	2%	15	6%	101	3%	2%
\$1,500 or more	82	2%	0	0%	82	2%	1%
No cash rent	16	0%	6	2%	22	1%	0%
2 Bedrooms	1,906	52%	47	18%	1,953	49%	42%
Less than \$200	1,812	49%	22	8%	1,834	46%	40%
\$200 to \$299	55	1%	0	0%	55	1%	1%
\$300 to \$499	170	5%	5	2%	175	4%	3%
\$500 to \$749	400	11%	14	5%	414	10%	10%
\$750 to \$999	819	22%	0	0%	819	21%	15%
\$1,000 to \$1,499	330	9%	3	1%	333	8%	10%
\$1,500 or more	38	1%	0	0%	38	1%	1%
No cash rent	94	3%	25	9%	119	3%	2%
3 or More Bedrooms	740	20%	158	59%	898	23%	30%
Less than \$200	634	17%	88	33%	722	18%	25%
\$200 to \$299	13	0%	7	3%	20	1%	1%
\$300 to \$499	0	0%	9	3%	9	0%	2%
\$500 to \$749	84	2%	19	7%	103	3%	4%
\$750 to \$999	243	7%	25	9%	268	7%	5%
\$1,000 to \$1,499	231	6%	26	10%	257	6%	9%
\$1,500 or more	63	2%	2	1%	65	2%	4%
No cash rent	106	3%	70	26%	176	4%	5%
Sources: US Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC							

Sources: US Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC

TABLE R-3 RENT SUMMARY CITY OF WATERTOWN MAY 2023							
Unit Type	Unit Mix		Rent Avg.	Rent Range		Avg. Size	Avg. Rent/Sq. Ft.
	No.	Pct.		Low	High		
MARKET RATE							
Studio	42	7.9%	\$758	\$725 - \$937		496	\$1.53
1BR	364	68.7%	\$974	\$839 - \$1,006		720	\$1.35
1BR+D	3	0.6%	\$1,008	\$1,008	\$1,008	697	\$1.45
2BR	106	20.0%	\$1,344	\$1,075 - \$1,585		1,047	\$1.28
2BR+D	8	1.5%	\$1,905	\$1,905	\$1,905	1,697	\$1.12
3BR	7	1.3%	\$1,795	\$1,795 - \$1,795		1,362	\$1.32
Total	530	100.0%	\$1,056	\$725 - \$1,905		791	\$1.34
Source: Maxfield Research and Consulting, LLC							



### Vacancy Rate

There were 530 market rate units and eight of these units were vacant, resulting in a 1.5% vacancy rate.

## BARRIERS TO ENTRY

- Availability of suitable tracts of land for future apartment development. In Watertown, the downtown area (subject neighborhood) is fully developed, and any new development would likely require the assemblage of multiple parcels and the razing of the improvements. Outside the downtown area there is an abundance of vacant land.
- Lengthy and costly entitlement/approval process.
- Ability to obtain adequate construction financing, though apartments have fared much better than other commercial property types.

## DEMAND GENERATORS

Demand for apartments is typically driven by population growth and employment characteristics. This information was presented in the previous demographic section and currently showing positive growth within the subject neighborhood.

## INVESTMENT TRENDS

### PWC NATIONAL APARTMENT MARKET OVERVIEW

The following is taken directly from the 2<sup>nd</sup> Quarter 2023 PwC Real Estate Investor Survey on the national apartment market.

# National Apartment Market

**The recent stress in the banking sector has led to less availability of debt and increased due diligence to ensure accurate underwriting. "Lining up financing is more difficult in the current environment," summarizes an investor.**

- Many investors believe debt maturities will have the largest negative impact on property values in the near term.
- The current strain is reflected in this market's average overall cap rate, which increases for the fifth consecutive quarter to 5.25% – the highest level since midyear 2018.
- Despite these trends, many investors are actively seeking deals. "We remain open to opportunities in this sector, especially in metros with strong forecasted fundamentals."

### FORECAST VALUE CHANGE [NEXT 12 MONTHS]:

Range: (1.0%) – 3.0%

Average: 0.4%

### KEY 2Q23 SURVEY STATS\*

#### Total Vacancy Assumption:

Average 5.1% ▲

Range 1.0% to 12.0%

#### Months of Free Rent(1):

Average 1.0 ▲

Range Up to 2

% of participants using 50.0% =

#### Market Conditions Favor:

Buyers 50.0% ▲

Sellers 0.0% =

Neither 50.0% ▼

\* ▼, ▲, = change from prior quarter  
(1) on a ten-year lease

Table 29

**NATIONAL APARTMENT MARKET**

Second Quarter 2023

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	5.75% – 8.00%	5.50% – 9.00%	4.75% – 10.00%	5.00% – 10.50%	5.25% – 10.00%
Average	6.63%	6.71%	6.72%	6.89%	7.20%
Change (Basis Points)		- 9	- 9	- 27	- 57
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	3.75% – 8.00%	3.50% – 8.00%	3.00% – 7.00%	3.50% – 8.00%	3.50% – 8.50%
Average	5.25%	5.01%	4.45%	5.19%	5.26%
Change (Basis Points)		+ 24	+ 80	+ 6	- 1
<b>RESIDUAL CAP RATE</b>					
Range	4.00% – 8.00%	4.00% – 8.00%	3.50% – 7.00%	4.00% – 8.50%	4.00% – 8.50%
Average	5.58%	5.38%	4.76%	5.64%	5.61%
Change (Basis Points)		+ 20	+ 82	- 6	- 3
<b>MARKET RENT CHANGE<sup>b</sup></b>					
Range	2.00% – 4.00%	0.00% – 10.00%	0.00% – 15.00%	(5.00%) – 3.50%	(2.00%) – 5.00%
Average	3.17%	3.72%	4.10%	0.58%	2.44%
Change (Basis Points)		- 55	- 93	+ 259	+ 73
<b>EXPENSE CHANGE<sup>b</sup></b>					
Range	3.00% – 6.00%	0.00% – 8.00%	0.00% – 8.00%	0.00% – 8.00%	2.00% – 3.00%
Average	3.50%	3.42%	3.20%	2.69%	2.73%
Change (Basis Points)		+ 8	+ 30	+ 81	+ 77
<b>MARKETING TIME<sup>c</sup></b>					
Range	1 – 12	1 – 12	1 – 12	1 – 12	1 – 9
Average	5.8	4.8	4.3	5.3	3.7
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

## COMPETITIVE PROPERTIES

Comparable properties were surveyed in order to identify the current occupancy within the competitive market. The comparable data is summarized in the following table:

SUMMARY OF COMPARABLE MULTIFAMILY RENTALS				
Comp. No.	Name	Location	Distance from Subject	Occupancy
1	The Lofts	10 North Broadway Street, Watertown, SD	0.3 Miles	N/A
2	Generations on 1st	26 1st Avenue SW, Watertown, SD	0.4 Miles	0%
3	The Plains Apartments Phase I	1604 4th Street NE, Watertown, SD	1.5 Miles	61%
4	The Ruins	315 E Kemp, Watertown, SD	0.0 Miles	0%
5	The Marketplace	15 1st Street NW, Watertown, SD	0.6 Miles	0%
Subject	The Ruins	315 E Kemp Avenue, Watertown, South Dakota		0%
Compiled by CBRE				

The majority of comparable properties surveyed reported occupancy rates of 95% or better (excluding comparable one as it is in lease up mode), and all are currently in good condition and represent new construction.

## SUBJECT ANALYSIS

### Absorption

#### ONE & TWO WILLOW CREEK

The appraisers spoke with the property manager at One Willow Creek and Two Willow Creek and we were informed that the properties are operating at a stabilized position and lease up was very successful (hence the Phase II construction).

#### PARKSIDE PLACE

Parkside Place is a property in Watertown that first opened its doors in July 2021. The property indicated an absorption period of 9 units per month

### Conclusion

After discussions with the market participants and considering the developers projections, we have concluded to a conservative absorption period of 6 months.

### Occupancy

Based on the foregoing analysis, CBRE, Inc.'s conclusion of stabilized occupancy for the subject is illustrated in the following table. This estimate considers both the physical and economic factors of the market.

OCCUPANCY CONCLUSIONS	
NE South Dakota - CoStar Analytics	91.0%
City of Watertown - Maxfield Research	98.5%
Rent Comparables	95% - 100%
Subject's Occupancy at Completion	20.0%
Subject's Stabilized Occupancy	96.0%
Lease-up Period	6 Months
Compiled by CBRE	

## Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

### AS VACANT

#### Legal Permissibility

The legally permissible uses were discussed in the Site Analysis and Zoning Sections.

#### Physical Possibility

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development). Existing structures on similar sites provides additional evidence for the physical possibility of development.

#### Financial Feasibility

Potential uses of the site include various retail, office and multifamily uses. The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis, the subject multifamily market is generally stabilized and development of new multifamily properties has occurred in the past few years. However, based upon our analysis (specifically the cost approach and inclusion of external obsolescence) new construction is not financially feasible.

Development of a build-to-suit structure for a specific tenant/owner is also considered financially feasible.

#### Maximum Productivity - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.

Based on the information presented above and upon information contained in the market and neighborhood analysis, we conclude that the highest and best use of the subject as if vacant would be to hold for future commercial use when market conditions improve.

## **AS PROPOSED**

### **Legally Permissible**

As discussed, the subject site's zoning and legal restrictions permit a variety of land uses. The site has been proposed to be improved with a multifamily/apartment development with main floor commercial space that will be a legal, conforming use.

### **Physically Possible**

The layout and positioning of the improvements are considered functional for mixed-use, specifically apartment/commercial use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the proposed use of the property for commercial/apartment users would be the most functional use.

### **Financially Feasible**

In the as stabilized condition, the site improvements will be contributing significantly to the overall property value, as demonstrated by the market. The site improvements will have a substantial amount of remaining economic life and have good functional utility. The subject property is expected to be financially feasible under an appropriate debt structure. Further, the value of the improvements detailed clearly exceeds the underlying land value.

### **Maximally Productive**

The maximally profitable use of the subject as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired by investors and continue to be used for mixed-use such as commercial/multifamily use. None of the comparable buildings have been acquired for conversion to an alternative use. These comparables would indicate that the maximally productive use of the property is consistent with the proposed use as an apartment property with main floor commercial space.



## Land Value

The following map and table summarize the comparable data used in the valuation of the subject site. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE LAND SALES												
No.	Property Location	Transaction Type	Date	Proposed Use	Actual Sale Price	Adjusted Sale Price <sup>1</sup>	Size (Acres)	Size (SF)	Density (UPA)	Allowable Units	Price Per SF	Price Per Bldg Unit
1	1101 N Career Ave Sioux Falls, SD 57107	Sale	Jun-23	Multifamily	\$1,700,000	\$1,700,000	6.05	263,547	13.88	84	\$6.45	\$20,238
2	4908 5th St St Rapid City, SD 57701	Sale	Jul-22	Multifamily	\$1,874,000	\$1,874,000	5.32	231,739	23.12	123	\$8.09	\$15,236
3	3680 Veterans Blvd Fargo, ND 58078	Sale	Nov-21	Multifamily	\$1,768,981	\$1,768,981	3.74	162,838	26.75	100	\$10.86	\$17,690
4	15 1st St NW Watertown, SD 57201	Sale	May-20	Multifamily	\$530,000	\$675,000	0.67	29,240	104.28	70	\$23.08	\$9,643
Subject	315 E Kemp Avenue, Watertown, South Dakota	---	---	Hold For Future Commercial/Multifamily	---	---	0.84	36,645	74.89	63.00	---	---

<sup>1</sup> Adjusted sale price for cash equivalency and/or development costs (where applicable)  
Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject and were selected from our research of comparable multifamily land sales throughout South Dakota and North Dakota.

## **DISCUSSION OF LAND SALE ADJUSTMENTS**

### **Property Rights Conveyed**

All of the sales utilized in this analysis involved the transfer of the fee simple interest. The subject land is valued in fee. Therefore, no adjustment is made for property rights conveyed.

### **Financial Terms**

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments are required.

### **Conditions of Sale**

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. All sales used in this analysis are considered to be “arms-length” market transactions between both knowledgeable buyers and sellers on the open market and no conditions of sale adjustments were required.

### **Market Conditions**

The sales included in this analysis date between May 2020 and June 2023. While there has continued to be economic pressures in the form of increasing interest rates, conversations with land brokers has not indicated that land pricing has fallen. Therefore, we have adjusted comparables 3 and 4 upwards as these occurred before the rise in interest rates. Comparables 1 and 2 have not been adjusted for market conditions.

### **Size**

No adjustments were deemed necessary for this factor.

### **Shape**

No adjustments were deemed necessary for this factor.

### **Topography**

No adjustments were deemed necessary for this factor.

### **Location**

Comparables 1, 2 and 3 are located in larger markets than the subject and are considered superior. These comparable sales have been adjusted downwards.

Comparable 4 is similar to the subject and no adjustments are warranted.

## Zoning/Density

This adjustment is based upon the density (units per acre). A higher density per acre would typically equate to a lower per unit land sales price.

Comparables 1, 2 and 3 have a lower density than the subject and have been adjusted downwards.

Comparable 4 is similar to the subject and no adjustment is warranted.

## Utilities

No adjustments were deemed necessary for this factor.

## SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID					
Comparable Number	1	2	3	4	Subject
Transaction Type	Sale	Sale	Sale	Sale	---
Transaction Date	Jun-23	Jul-22	Nov-21	May-20	---
Actual Sale Price	\$1,700,000	\$1,874,000	\$1,768,981	\$530,000	---
Adjusted Sale Price <sup>1</sup>	\$1,700,000	\$1,874,000	\$1,768,981	\$675,000	---
Size (Acres)	6.05	5.32	3.74	0.67	0.84
Size (SF)	263,547	231,739	162,838	29,240	36,645
Density (UPA)	13.88	23.12	26.75	104.28	74.89
Allowable Units	84.00	123.00	100.00	70.00	63.00
Price Per Unit	\$20,238	\$15,236	\$17,690	\$9,643	---
Price (\$ Per Unit)	\$20,238	\$15,236	\$17,690	\$9,643	
Property Rights Conveyed	0%	0%	0%	0%	
Financing Terms <sup>1</sup>	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	
Market Conditions (Time)	0%	0%	5%	10%	
Subtotal	\$20,238	\$15,236	\$18,574	\$10,607	
Size	0%	0%	0%	0%	
Shape	0%	0%	0%	0%	
Topography	0%	0%	0%	0%	
Location	-20%	-20%	-20%	0%	
Zoning/Density	-10%	-10%	-10%	0%	
Utilities	0%	0%	0%	0%	
Total Other Adjustments	-30%	-30%	-30%	0%	
<b>Value Indication for Subject</b>	<b>\$14,167</b>	<b>\$10,665</b>	<b>\$13,002</b>	<b>\$10,607</b>	
Absolute Adjustment	30%	30%	35%	10%	

<sup>1</sup> Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

Prior to making any adjustments the comparable sales indicated an unadjusted sales price range from \$9,643 to \$20,238 per unit, with an average of \$15,702 per unit.

After making all the applicable adjustments the comparables indicated an adjusted sale price range from \$10,607 to \$14,167 per unit, with an average of \$12,110 per unit.

## CONCLUSION

Based on the preceding analysis, the appraisers have concluded to a land value of \$12,500 per square foot. This conclusion is shown in the following chart.

CONCLUDED LAND VALUE				
\$ Per Unit		Subject Units		Total
\$12,500	x	63	=	\$787,500
<b>Indicated Value:</b>				<b>\$790,000</b>
		(Rounded \$ Per Unit)		\$12,540
Compiled by CBRE				

## Cost Approach

In estimating the replacement cost new for the subject, the following methods/data sources have been utilized (where available):

- the comparative unit method, utilizing the Marshall Valuation Service (MVS) cost guide, published by Marshall and Swift, LLC;
- the subject's budgeted construction costs

### MARSHALL VALUATION SERVICE

#### Direct Cost

Salient details regarding the direct costs are summarized in the Cost Approach Conclusion at the end of this section. The MVS cost estimates include the following:

1. average architect's and engineer's fees for plans, plan check, building permits and survey(s) to establish building line;
2. normal interest in building funds during the period of construction plus a processing fee or service charge;
3. materials, sales taxes on materials, and labor costs;
4. normal site preparation including finish grading and excavation for foundation and backfill;
5. utilities from structure to lot line figured for typical setback;
6. contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.;
7. site improvements (included as lump sum additions); and
8. initial tenant improvement costs are included in MVS cost estimate. However, additional lease-up costs such as advertising, marketing and leasing commissions are not included.

Base building costs (direct costs) are adjusted to reflect the physical characteristics of the subject. Making these adjustments, including the appropriate local and current cost multipliers, the direct building cost is indicated.

#### Additions

Items not included in the direct building cost estimate include parking and walks, signage, landscaping, and miscellaneous site improvements. The cost for these items is estimated separately using the segregated cost sections of the MVS cost guide.

#### Indirect Cost Items

Several indirect cost items are not included in the direct building cost figures derived through the MVS cost guide. These items include developer overhead (general and administrative costs), property taxes, legal and insurance costs, local development fees and contingencies, lease-up and marketing costs and miscellaneous costs.

## MVS Conclusion

The concluded direct and indirect building cost estimates obtained via the MVS cost guide are illustrated as follows:

MARSHALL VALUATION SERVICE COST SCHEDULE				
Primary Building Type:	Multifamily	Height per Story:	10'	
Effective Age:	0 YRS	Number of Buildings:	1	
Condition:	New	Gross Building Area:	100,908 SF	
Exterior Wall:	Stucco	Net Rentable Area:	53,967 SF	
Number of Units:	63	Average Unit Size:	857 SF	
Number of Stories:	4	Average Floor Area:	25,227 SF	
<b>MVS Sec/Page</b>		Sec 12 Pg. 18	Sec. 15 Pg. 17	Sec. 11 Pg. 19
<b>Quality/Bldg. Class</b>		Average to Good/D	Average to Good/D	Average/C
<b>Building Component</b>		Apartment	Retail	Parking
<b>Component Sq. Ft.</b>		75,681 SF	1,200 SF	24,027 SF
<b>Base Square Foot Cost</b>		\$117.00	\$144.00	\$51.50
<b>Square Foot Refinements</b>				
Heating and Cooling		\$5.37	\$14.50	\$4.73
Sprinklers		\$3.00	\$3.00	\$3.00
Subtotal		\$125.37	\$161.50	\$59.23
<b>Height and Size Refinements</b>				
Number of Stories Multiplier		1.000	1.000	1.000
Height per Story Multiplier		1.000	1.000	1.000
Floor Area Multiplier		1.000	1.000	1.000
Subtotal		\$125.37	\$161.50	\$59.23
<b>Cost Multipliers</b>				
Current Cost Multiplier		0.95	0.97	0.97
Local Multiplier		0.94	0.95	0.95
<b>Final Square Foot Cost</b>		\$111.96	\$148.82	\$54.58
<b>Base Component Cost</b>		\$8,472,897	\$178,587	\$1,311,404
<b>Base Building Cost</b>	(via Marshall Valuation Service cost data)			\$9,962,888
<b>Additions</b>				
Signage, Landscaping & Misc. Site Improvements (not included above)				\$450,000
Parking/Walks (not included above)				\$50,000
Appliances/FF&E				\$472,500
<b>Direct Building Cost</b>				\$10,935,388
<b>Indirect Costs</b>	7.5% of Direct Building Cost			\$820,154
<b>Direct and Indirect Building Cost</b>				\$11,755,543
<b>Rounded</b>				\$11,756,000
Compiled by CBRE				

## ACTUAL/BUDGET COMPARABLE CONSTRUCTION COSTS

The subject's budgeted construction costs are illustrated in the following table.

CONSTRUCTION COSTS	
Comparable:	Subject
Name:	
Property Type	Multi-family Mid/High Rise
Year of Cost Data	2023
Cost Data Based Upon...	Budget
Size (SF):	100,908
Cost Component	
Direct Cost	\$13,950,000
Indirect Cost	
Lease-up Cost	
Total Direct, Indirect & Lease-up	\$13,950,000
Cost Adjustment	\$0
Total Adjusted Costs	\$13,950,000
Rounded	\$13,950,000
Cost Per SF	\$138.24
Compiled by CBRE	

## DIRECT AND INDIRECT COST CONCLUSION

The indicated direct and indirect building costs for the subject are illustrated as follows:

DIRECT AND INDIRECT COST CONCLUSION		
Source	Subject Estimate	Per SF
MVS Cost Guide	\$11,756,000	\$116.50
Subject's Budget Cost Est.	\$13,950,000	\$138.24
<b>CBRE Estimate</b>	<b>\$12,853,000</b>	<b>\$127.37</b>
Compiled by CBRE		

The appraisers have put equal emphasis on the MVS Cost Guide and the subject budget.

## ENTREPRENEURIAL PROFIT

Entrepreneurial profit represents the return to the developer and is separate from contractor's overhead and profit.

## ACCRUED DEPRECIATION

There are essentially three sources of accrued depreciation:

1. physical deterioration, both curable and incurable;
2. functional obsolescence, both curable and incurable; and
3. external obsolescence.

### Physical Deterioration

The following chart provides a summary of the remaining economic life.



<b>ECONOMIC AGE AND LIFE</b>	
Actual Age	0 Years
Effective Age	0 Years
MVS Expected Life	55 Years
Remaining Economic Life	55 Years
Accrued Physical Incurable Depreciation	0.0%
Compiled by CBRE	

At the time of stabilization, the property will be 1 year old.

### External Obsolescence

External obsolescence is estimated by the capitalization of income loss. As the subject produces income, the income loss caused by the external obsolescence can be capitalized into an estimate of the loss in total property value. As the land value is not impacted, the entire amount is attributed to the improvements. For the purpose of this approach, the external obsolescence affecting the subject is calculated in the following table:

<b>EXTERNAL OBSOLESCENCE</b>	
Cost Feasible NOI:	\$858,377
Pro-Forma Stabilized NOI:	\$659,062
NOI Differential:	\$199,315
Capitalized at:	5.75%
External Obsolescence:	(\$3,466,349)
Compiled by CBRE	

The cost feasible NOI is based on the depreciated cost of the improvements plus land value, multiplied by the current capitalization rate. The pro forma stabilized NOI is taken from the direct capitalization schedule and supported by the assumptions in the appraisal report.

### COST APPROACH CONCLUSION

The value estimate is calculated as follows.

### COST APPROACH CONCLUSION

Primary Building Type:	Multifamily	Height per Story:	10'
Effective Age:	0 YRS	Number of Buildings:	1
Condition:	New	Gross Building Area:	100,908 SF
Exterior Wall:	Stucco	Net Rentable Area:	53,967 SF
Number of Units:	63	Average Unit Size:	857 SF
Number of Stories:	4	Average Floor Area:	25,227 SF
<b>Direct and Indirect Building Cost</b>			<b>\$12,853,000</b>
<b>Entrepreneurial Profit</b>			<b>10.0% of Total Building Cost</b>
			<b>\$1,285,300</b>
<b>Replacement Cost New</b>			<b>\$14,138,300</b>
<b>Accrued Depreciation</b>			
Incurable Physical Deterioration	0.0% of Replacement Cost New less		\$0
	Curable Physical Deterioration		
Functional Obsolescence			\$0
External Obsolescence			(\$3,466,349)
Total Accrued Depreciation	24.5% of Replacement Cost New		(\$3,466,349)
<b>Depreciated Replacement Cost</b>			<b>\$10,671,951</b>
<b>Land Value</b>			<b>\$790,000</b>
<b>Indicated Stabilized Value</b>			<b>\$11,461,951</b>
<b>Rounded</b>			<b>\$11,460,000</b>
Curable Physical Deterioration			\$0
Lease-Up Discount			(\$700,000)
<b>Indicated Value As Complete</b>			<b>\$10,760,000</b>
Remaining Construction Costs			(\$785,000)
<b>Indicated Value As Is</b>			<b>\$9,975,000</b>
Compiled by CBRE			

## Insurable Replacement Cost

Insurable Replacement Cost is defined as follows:

1. the value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of noninsurable items (e.g., land value) from market value.
2. The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).<sup>6</sup>

CBRE, Inc. has followed traditional appraisal standards to develop a reasonable calculation based upon industry practices and industry-accepted publications such as the Marshall Valuation Service. The methodology employed is a derivation of the cost approach and is not reliable for Insurable Replacement Cost estimates. Actual construction costs and related estimates can vary greatly from this estimate.

The Insurable Replacement Cost estimate presented herein is intended to reflect the value of the destructible portions of the subject, based on the replacement of physical items that are subject to loss from hazards (excluding indestructible items such as basement excavation, foundation, site work, land value and indirect costs). In the case of the subject, this estimate is based upon the base building costs (direct costs) as obtained via the Marshall Valuation Service cost guide, with appropriate deductions.

This analysis should not be relied upon to determine proper insurance coverage as only consultants considered experts in cost estimation and insurance underwriting are qualified to provide an Insurable Replacement Cost. It is provided to aid the client/reader/user as part of their overall decision-making process and no representations or warranties are made by CBRE, Inc. regarding the accuracy of this estimate. It is strongly recommended that other sources be utilized to develop any estimate of Insurable Replacement Cost.

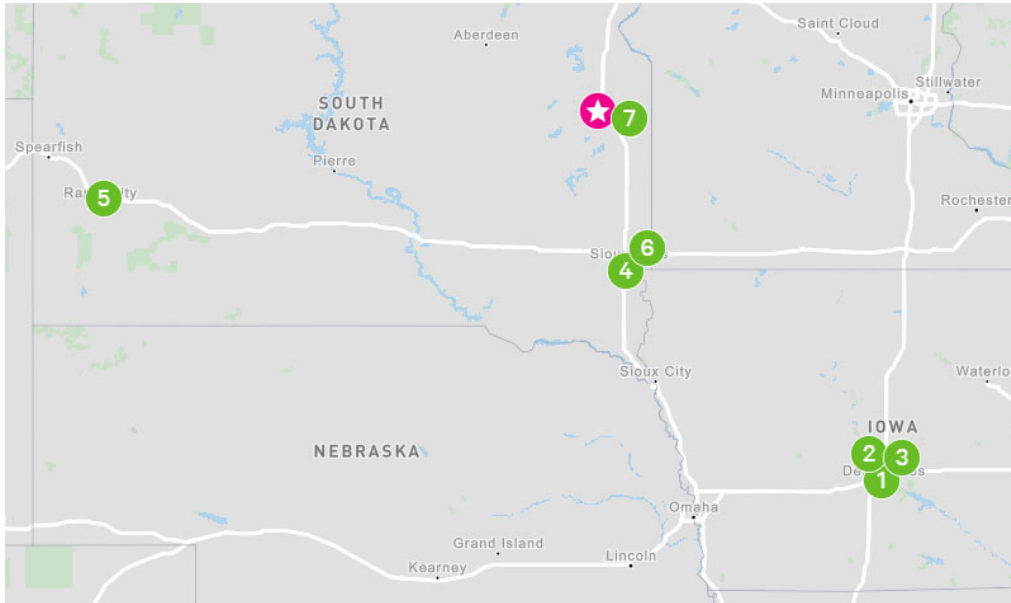
---

<sup>6</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> ed. (Chicago: Appraisal Institute, 2015), 119.

INSURABLE REPLACEMENT COST					
Primary Building Type:		Multifamily	Height per Story:		10'
Effective Age:		0 YRS	Number of Buildings:		1
Condition:		New	Gross Building Area:		100,908 SF
Exterior Wall:		Stucco	Net Rentable Area:		53,967 SF
Number of Units:		63	Average Unit Size:		857 SF
Number of Stories:		4	Average Floor Area:		25,227 SF
MVS Sec/Page		Sec 12 Pg. 18	Sec. 15 Pg. 17	Sec. 11 Pg. 19	
Quality/Bldg. Class		Average to Good/D	Average to Good/D	Average/C	
Building Component		Apartment	Retail	Parking	
Component Sq. Ft.		75,681 SF	1,200 SF	24,027 SF	
Base Square Foot Cost		\$117.00	\$144.00	\$51.50	
Square Foot Refinements					
Heating and Cooling		\$5.37	\$14.50	\$4.73	
Sprinklers		\$3.00	\$3.00	\$3.00	
Subtotal		\$125.37	\$161.50	\$59.23	
Height and Size Refinements					
Number of Stories Multiplier		1.000	1.000	1.000	
Height per Story Multiplier		1.000	1.000	1.000	
Floor Area Multiplier		1.000	1.000	1.000	
Subtotal		\$125.37	\$161.50	\$59.23	
Cost Multipliers					
Current Cost Multiplier		0.95	0.97	0.97	
Local Multiplier		0.94	0.95	0.95	
Final Square Foot Cost		\$111.96	\$148.82	\$54.58	
Base Component Cost		\$8,472,897	\$178,587	\$1,311,404	
Base Building Cost		(via Marshall Valuation Service cost data)			\$9,962,888
Insurable Exclusions		5.0% of Total Building Cost			(\$498,144)
Indicated Insurable Replacement Cost					\$9,464,744
Rounded					\$9,460,000
Value Per Unit					\$150,159
Compiled by CBRE					

## Sales Comparison Approach

The following map and table summarize the comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE MULTIFAMILY SALES												
No.	Property Name	Transaction Type	Date	YOC / Reno'd	No. Units	Avg. Unit Size	Actual Sale Price	Adjusted Sale Price <sup>1</sup>	Price Per Unit <sup>1</sup>	Occ.	NOI Per Unit	OAR
1	The Vue, 922,927 8th Street and 915 9th Street Des Moines, IA 50309	Sale	Dec-22	2017	111	1,107	\$24,885,000	\$21,785,000	\$196,261	94%	\$9,610	4.90%
2	Soll Apartments, 2301 Ingersoll Avenue Des Moines, IA 50312	Sale	Oct-22	2018	165	774	\$32,870,000	\$32,870,000	\$199,212	92%	\$8,725	4.38%
3	Maxwell Apartments, 915 Mulberry Street Des Moines, IA 50309	Sale	Oct-22	2016	62	708	\$10,600,000	\$9,850,000	\$158,871	95%	\$7,903	4.97%
4	Sawyer Point Apartments - Phase 2, 1221, 1223, 1241, 1251 and 1261 Tom Sawyer Trail	Sale	Oct-22	2022	144	887	\$18,526,500	\$20,700,000	\$143,750	99%	\$7,774	5.41%
5	Champion Drive Apartments, 3124 Champion Drive Rapid City, SD 57701	Sale	Sep-22	2021	80	NAV	\$15,000,000	\$15,000,000	\$187,500	NAV	NAV	NAV
6	Sullivan Square Apartments, 600 and 606 North Bahnson Avenue Sioux Falls, SD 57103	Sale	May-22	2022	48	1,074	\$7,700,000	\$7,700,000	\$160,417	NAV	\$7,881	4.91%
7	One Willow Creek, 2000 Kemp Place East Watertown, SD 57201	Sale	Oct-21	2016	36	1,012	\$4,538,500	\$4,538,500	\$126,069	NAV	NAV	NAV
Subj.	The Ruins, 315 E Kemp	---	---	2024	63	857	---	---	---	96%	\$10,240	4.75%
Forma	Watertown, SD 57201											

<sup>1</sup> Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)  
Compiled by CBRE

The unit of comparison selected within this approach is the price per dwelling unit. The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales within similar sized communities and/or downtown location similar to the subject. The comparables were chosen based upon their age, location, unit sizes, number of units and overall comparability to the subject.

## **DISCUSSION/ANALYSIS OF IMPROVED SALES**

### **Property Rights Appraised**

All of the sales utilized in this analysis involved the transfer of the Fee Simple Estate. No adjustments were warranted for this factor.

### **Financing Terms**

The subject property is being analyzed in terms of its cash value, or cash value equivalency. All of the comparables are considered similar and do not require adjustment.

### **Conditions of Sale**

This adjustment accounts for extraordinary conditions of sale, such as transactions between related properties that would alter the cash value transaction of an improved sale. All of the comparables are considered market value transactions and do not warrant adjustment.

### **Market Conditions**

This adjustment accounts for changes in market conditions between the date of sale and the date of appraisal. The sales included in this analysis date between October 2021 and December 2022. Recent interviews with local brokers indicate that local investor demand for apartment property remains very strong. Many buyers are low leverage or all cash buyers, who have been willing to pay prices higher than what 80% loan-to-value (high leverage) buyers can justify paying based on cash flow requirements associated with the financing. This market dynamic has resulted in lower capitalization rates than what would typically be expected and/or required given the current interest rate environment. Therefore, no adjustments for market conditions have been applied to the sales in 2022.

Comparable 7 sold in 2021 and has been adjusted upwards.

### **Age/Condition**

The subject property was constructed in 2022.

The comparables have been adjusted based upon the differences in age in comparison with the subject as of the date of sale.

### **Quality of Construction**

The subject property represents Class C construction.

Comparables 4, 5, 6 and 7 are considered inferior to the subject and have been adjusted upwards.

The remaining comparables are similar to the subject and no adjustments are warranted.

### Amenities

The project includes a rooftop patio, secured entrance/lobby and a passenger elevator. The building also has an amenity room on all floors that is not currently furnished. The rooms could be utilized for additional amenities in the future with the purchase of FF&E and minimal renovations.

In addition to the apartment amenities is the senior center. The senior center will include a full commercial kitchen, large meeting room, craft room, salon and game room. The senior center is leased by the city of Watertown for \$1 annually on a 99 year lease.

Comparables 1, 2 and 3 are superior to the subject in terms of project amenities and have been adjusted downwards.

The remaining comparables are similar to the subject and no adjustments are warranted.

### Parking

The subject property includes 50 stalls of attached heated parking. In addition, the property has an agreement with the city of Watertown for the adjacent surface parking lot.

Comparables 4, 5, 6 and 7 are inferior to the subject and have been adjusted upwards.

The remaining comparables are similar to the subject and no adjustments are warranted.

### Unit Mix/Average Unit Size

All things being equal, the market will generally pay a premium for apartment product that has two- or three-bedroom units and larger sized units based on the higher rents that are achievable for these unit types. The subject has an average unit size of 791 square feet while the comparables range from 708 to 1,107 square feet. Please note that we are unaware of the average unit size for comparable 5.

The comparables have been adjusted based upon the differences in size in comparison with the subject.

### Location

Comparables 1, 2, 3, 4, 5 and 6 are located in larger markets than the subject and considered superior in terms of location. These sales have been adjusted downwards.

No adjustments were warranted for the remaining sales.

### Size

No adjustments were deemed necessary for this factor.



## SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

MULTIFAMILY SALES ADJUSTMENT GRID							
Comparable Number	1	2	3	4	5	6	7
Transaction Type	Sale	Sale	Sale	Sale	Sale	Sale	Sale
Transaction Date	Dec-22	Oct-22	Oct-22	Oct-22	Sep-22	May-22	Oct-21
Year Built/Renovated	2017	2018	2016	2022	2021	2022	2016
Property Subtype	Multi-unit Lofts	Multi-unit Lofts	Multi-unit Mid / High Rise	Multi-unit Garden	Multi-unit Garden	Multi-unit Garden	Multi-unit Mid / High Rise
No. Units	111	165	62	144	80	48	36
Avg. Unit Size	1,107	774	708	887	NAV	1,074	1,012
Actual Sale Price	\$24,885,000	\$32,870,000	\$10,600,000	\$18,526,500	\$15,000,000	\$7,700,000	\$4,538,500
Adjusted Sale Price <sup>1</sup>	\$21,785,000	\$32,870,000	\$9,850,000	\$20,700,000	\$15,000,000	\$7,700,000	\$4,538,500
Price Per Unit <sup>1</sup>	\$196,261	\$199,212	\$158,871	\$143,750	\$187,500	\$160,417	\$126,069
Occupancy	94%	92%	95%	99%	NAV	NAV	NAV
NOI Per Unit	\$9,610	\$8,725	\$7,903	\$7,774	NAV	\$7,881	NAV
OAR	4.90%	4.38%	4.97%	5.41%	NAV	4.91%	NAV
Adj. Price Per Unit	\$196,261	\$199,212	\$158,871	\$143,750	\$187,500	\$160,417	\$126,069
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	0%
Financing Terms <sup>1</sup>	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale	0%	0%	0%	0%	0%	0%	0%
Market Conditions (Time)	0%	0%	0%	0%	0%	0%	5%
Subtotal - Price Per Unit	\$196,261	\$199,212	\$158,871	\$143,750	\$187,500	\$160,417	\$132,373
Age/Condition	5%	5%	5%	0%	0%	0%	5%
Quality of Construction	0%	0%	0%	10%	10%	10%	10%
Project Amenities	-5%	-10%	-10%	0%	0%	0%	0%
Parking	0%	0%	0%	5%	5%	5%	5%
Avg. Unit Size	-5%	0%	5%	0%	0%	-5%	-5%
Location	-10%	-10%	-10%	-10%	-20%	-10%	0%
Size	0%	0%	0%	0%	0%	0%	0%
Total Other Adjustments	-15%	-15%	-10%	5%	-5%	0%	15%
<b>Indicated Value Per Unit</b>	<b>\$166,822</b>	<b>\$169,330</b>	<b>\$142,984</b>	<b>\$150,938</b>	<b>\$178,125</b>	<b>\$160,417</b>	<b>\$152,229</b>
<b>Absolute Adjustment</b>	<b>25%</b>	<b>25%</b>	<b>30%</b>	<b>25%</b>	<b>35%</b>	<b>30%</b>	<b>30%</b>

<sup>1</sup> Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)  
Compiled by CBRE

Prior to making any adjustments the comparable sales indicated a sale price range from \$126,069 to \$199,212 per unit, with an average of \$167,440 per unit.

After making all the applicable adjustments, the comparables indicated an adjusted sale price range from \$142,984 to \$178,125 per unit, with an average of \$160,121 per unit.

Based upon the comparables illustrated above, we have concluded to a value for the apartment units at \$165,000 per unit.

## SALES COMPARISON APPROACH CONCLUSION

The following table presents the estimated value for the subject as indicated by the sales comparison approach.

### SALES COMPARISON APPROACH

Total Units	X	Value Per Unit	=	Value
63	X	\$142,984	=	\$9,007,984
63	X	\$165,000	=	\$10,395,000
63	X	\$178,125	=	\$11,221,875

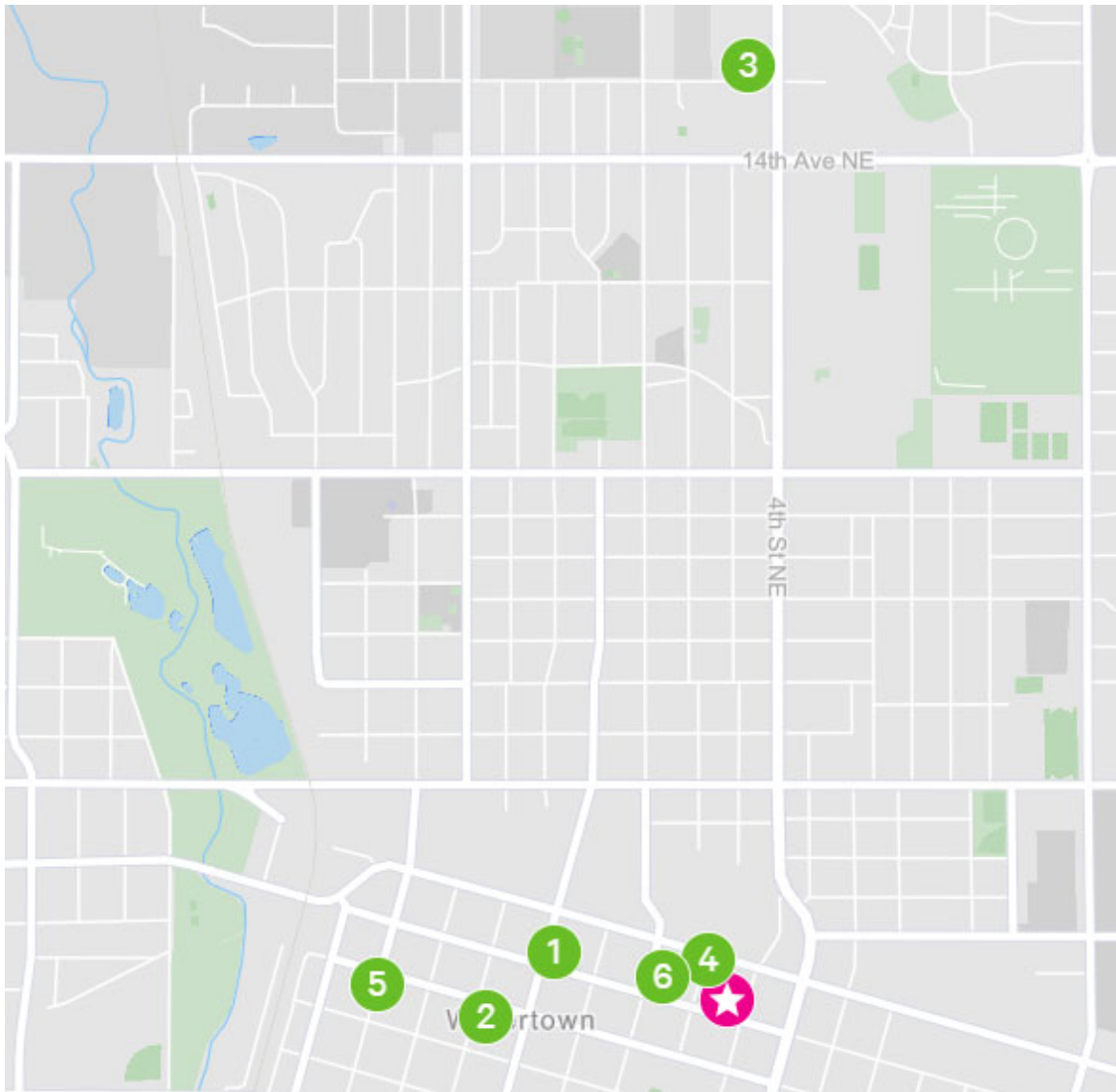
### VALUE CONCLUSION

<b>Indicated Stabilized Value</b>	<b>\$10,400,000</b>
Deferred Maintenance	\$0
Lease-Up Discount	(\$700,000)
<b>Indicated Value As Complete</b>	<b>\$9,700,000</b>
Remaining Construction Costs	(\$785,000)
<b>Indicated Value As Is</b>	<b>\$8,915,000</b>

Compiled by CBRE

## Income Capitalization Approach

The following map and table summarize the primary comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE MULTIFAMILY RENTALS							
No.	Property Name	Location	YOC / Reno'd	Property Subtype	Occ.	No. Units	Distance from Subj
1	The Lofts	10 North Broadway Street Watertown, SD 57201	2020	Multi-unit Mid / High Rise	95%	39	0.3 Miles
2	Generations on 1st	26 1st Avenue SW Watertown, SD 57201	2022	Multi-unit Senior	0%	72	0.4 Miles
3	The Plains Apartments Phase I	1604 4th Street NE Watertown, SD 57201	2021	Multi-unit Garden	61%	72	1.5 Miles
4	The Ruins	315 E Kemp Watertown, SD 57201	2022	Multi-unit Garden	0%	63	0.0 Miles
5	The Marketplace	15 1st Street NW Watertown, SD 57201	2022	Multi-unit Garden	0%	70	0.6 Miles
6	Parkside Place	8 2nd St NE Watertown, SD 57201	2021	Multi-unit Walk-up	100%	36	0.1 Miles
Subj.	The Ruins	315 E Kemp Avenue, Watertown, South Dakota	2024	Multi-family Mid/High Rise	0%	63	---
Compiled by CBRE							

The rentals utilized represent the best data available for comparison with the subject. They were selected from our research within the greater Watertown area.

## SUBJECT RENTAL INFORMATION

The following table shows the subject's unit mix and quoted rental rates as of the date of completion.

SUBJECT RENTAL INFORMATION					
Type	No. of Units	Unit Size (SF)	Unit Occ.	Avg. Quoted \$/Unit	Rent Per SF
1BD/1Ba	27	716	0%	\$1,020	\$1.42
2BD/1Ba	21	1,195	0%	\$1,495	\$1.25
Studio	15	636	0%	\$995	\$1.56
Total/Average:	63	857	0%	\$1,172	\$1.37
Compiled by CBRE					

## MARKET RENT ESTIMATE

In order to estimate the market rates for the various floor plans, the subject unit types have been compared with similar units in the comparable projects. The following is a discussion of each unit type.

## Studio and One-Bedroom Units

SUMMARY OF COMPARABLE RENTALS STUDIO AND ONE BEDROOM UNITS				
Comparable	Plan Type	Size (SF)	Rental Rates	
			\$/Mo.	\$/SF
The Marketplace	1BD/1BA	614-637	\$950 - \$975	\$1.54
<b>Subject (Avg. Quoted)</b>	<b>Studio</b>	<b>636 SF</b>	<b>\$995</b>	<b>\$1.56</b>
<b>Subject (Concluded Mkt.)</b>	<b>Studio</b>	<b>636 SF</b>	<b>\$1,000</b>	<b>\$1.57</b>
The Marketplace	1BD/1BA	645-655	\$964	\$1.48
The Plains Apartments Phase I	1BD/1BA - No Parking	660 SF	\$1,087	\$1.65
The Lofts	1BR/1BA	664 SF	\$961	\$1.45
<b>Subject (Avg. Quoted)</b>	<b>1BD/1Ba</b>	<b>716 SF</b>	<b>\$1,020</b>	<b>\$1.42</b>
<b>Subject (Concluded Mkt.)</b>	<b>1BD/1Ba</b>	<b>716 SF</b>	<b>\$1,050</b>	<b>\$1.47</b>
The Ruins	1BD/1Ba	716 SF	\$1,255	\$1.75
Parkside Place	1BR/1BA	734 SF	\$989	\$1.35
The Plains Apartments Phase I	1BD/1BA	734 SF	\$1,125	\$1.53
The Marketplace	1BD/1BA	742 SF	\$1,080	\$1.46
The Marketplace	1BD/1BA	787 SF	\$1,160	\$1.47
The Plains Apartments Phase I	1BD/1BA	792 SF	\$1,005	\$1.27
Generations on 1st	1 BR/1 BA	800 SF	\$960	\$1.20
The Plains Apartments Phase I	1BD/1BA	851 SF	\$1,175	\$1.38
Compiled by CBRE				

## Two-Bedroom Units

SUMMARY OF COMPARABLE RENTALS TWO BEDROOM UNITS				
Comparable	Plan Type	Size (SF)	Rental Rates	
			\$/Mo.	\$/SF
The Marketplace	2BD/1BA	811 SF	\$1,060	\$1.31
The Marketplace	2BD/1BA	955 SF	\$1,595	\$1.67
The Lofts	2BR/1BA	964 SF	\$1,349	\$1.40
The Marketplace	2BD/2BA	1,027 SF	\$1,415	\$1.38
The Marketplace	2BD/2BA	1,036 SF	\$1,435	\$1.39
The Plains Apartments Phase I	2BD/2BA	1,125 SF	\$1,420	\$1.26
Generations on 1st	2 BR/2 BA	1,150 SF	\$1,412	\$1.23
<b>Subject (Avg. Quoted)</b>	<b>2BD/1Ba</b>	<b>1,195 SF</b>	<b>\$1,495</b>	<b>\$1.25</b>
<b>Subject (Concluded Mkt.)</b>	<b>2BD/1Ba</b>	<b>1,195 SF</b>	<b>\$1,550</b>	<b>\$1.30</b>
The Ruins	2BD/1Ba	1,195 SF	\$1,575	\$1.32
The Plains Apartments Phase I	2BD/2BA	1,214 SF	\$1,470	\$1.21
The Marketplace	2BD/2BA	1,286 SF	\$1,670	\$1.30
The Marketplace	2BD/2BA	1,333 SF	\$1,830	\$1.37
Compiled by CBRE				

## MARKET RENT CONCLUSIONS

The following chart shows the market rent conclusions for the subject:

MARKET RENT CONCLUSIONS									
No. Units	Unit Type	Unit Size (SF)	Total SF	Monthly Rent			Annual Rent		Annual Total
				\$/Unit	\$/SF	PRI	\$/Unit	\$/SF	
27	1BD/1Ba	716	19,332	\$1,050	\$1.47	\$28,350	\$12,600	\$17.60	\$340,200
21	2BD/1Ba	1,195	25,095	\$1,550	\$1.30	\$32,550	\$18,600	\$15.56	\$390,600
15	Studio	636	9,540	\$1,000	\$1.57	\$15,000	\$12,000	\$18.87	\$180,000
63		857	53,967	\$1,205	\$1.41	\$75,900	\$14,457	\$16.88	\$910,800
Compiled by CBRE									

## POTENTIAL RENTAL INCOME CONCLUSION

Within this analysis, potential rental income is estimated based upon our market rent conclusions.

## COMMERCIAL SPACE – CITY OF WATERTOWN

As illustrated previously, a portion of the first floor will be leased to the city of Watertown. The space will be leased for 99 years for \$1 annually.

## OPERATING HISTORY

The following table presents available operating data for the subject.

OPERATING HISTORY				
Year-Occupancy	ProForma	98.0%	CBRE	
	Estimate	96.0%		
	Total	\$/Unit	Total <sup>2</sup>	\$/Unit
<b>Income</b>				
Potential Rental Income	\$886,320	\$14,069	\$910,800	\$14,457
Commercial Income	\$1	\$0	\$1	\$0
Vacancy	(\$25,024)	(\$397)	(\$36,432)	(578)
Parking Income	\$0	\$0	\$36,864	585
Storage Income	\$21,840	\$347	\$16,128	256
Other Income	\$11,093	\$176	\$12,600	\$200
Effective Gross Income	\$894,230	\$14,194	\$939,961	\$14,920
<b>Expenses</b>				
Real Estate Taxes	\$68,705	\$1,091	\$80,760	\$1,282
Property Insurance	\$15,566	\$247	\$15,120	\$240
Utilities	\$15,120	\$240	\$43,470	\$690
Administrative & General	\$1,616	\$26	\$15,750	\$250
Repairs & Maintenance	\$25,618	\$407	\$28,350	\$450
Management Fee <sup>1</sup>	\$29,551	\$469	\$37,598	\$597
Payroll		\$0	\$37,800	\$600
Advertising & Promotion	\$566	\$9	\$6,300	\$100
Replacement Reserves		\$0	\$15,750	\$250
Operating Expenses	\$156,741	\$2,488	\$280,899	\$4,459
<b>Net Operating Income</b>	<b>\$737,489</b>	<b>\$11,706</b>	<b>\$659,062</b>	<b>\$10,461</b>
<sup>1</sup> (Mgmt. typically analyzed as a % of EGI)	3.3%		4.0%	
Source: Operating statements				

## VACANCY

The subject's estimated stabilized occupancy rate was previously discussed in the market analysis. The subject's vacancy is detailed as follows:

<b>VACANCY</b>		
Year	Total	% PGI
ProForma	\$18,088	2%
Current	-----	100%
<b>CBRE Estimate</b>	<b>\$36,432</b>	<b>4%</b>
Compiled by CBRE		

## PARKING INCOME

The CBRE estimates include parking in addition to the monthly rent. We have concluded to a parking fee on the 64 stalls at \$50 per month. This analysis also utilizes a 96% occupancy rate.

<b>PARKING INCOME</b>		
Year	Total	\$/Unit
ProForma	\$0	\$0
<b>CBRE Estimate</b>	<b>\$36,864</b>	<b>\$585</b>
Compiled by CBRE		

## OTHER INCOME

Other income is supplemental to that derived from leasing of the improvements. This includes categories such as forfeited deposits, vending machines, storage units, late charges, etc. The subject's income is detailed as follows:

<b>OTHER INCOME</b>		
Year	Total	\$/Unit
ProForma	\$11,093	\$176
<b>CBRE Estimate</b>	<b>\$12,600</b>	<b>\$200</b>
Compiled by CBRE		

Similar properties typically have an other income from \$200 - \$400 per unit.

## STORAGE INCOME

The property includes 28 storage units that will be leased separately from the apartment units. We have concluded to a storage rent at \$50 per month and have utilized our stabilized occupancy of 96%.

<b>STORAGE INCOME</b>		
Year	Total	\$/Unit
ProForma	\$21,840	\$347
<b>CBRE Estimate</b>	<b>\$16,128</b>	<b>\$256</b>
Compiled by CBRE		



## EFFECTIVE GROSS INCOME

The subject's effective gross income is detailed as follows:

EFFECTIVE GROSS INCOME		
Year	Total	% Change
ProForma	\$894,230	---
<b>CBRE Estimate</b>	<b>\$939,961</b>	<b>5%</b>
Compiled by CBRE		

## OPERATING EXPENSE ANALYSIS

### Expense Comparables - Apartments

The following chart summarizes expenses obtained from comparable properties.

EXPENSE COMPARABLES				
Comparable Number	1	2	3	Subject
Location	Rapid City	Sioux Falls	St. Cloud	Watertown, SD
Units	216	85	105	63
Type	Market	Market	Market	Mid/High Rise
Revenues	\$/Unit	\$/Unit	\$/Unit	\$/Unit
Effective Gross Income	\$13,274	\$16,488	\$12,722	\$14,920
Expenses				
Real Estate Taxes	\$1,495	\$1,740	\$1,081	\$1,282
Property Insurance	\$239	\$222	\$254	\$240
Utilities	\$702	\$628	\$495	\$690
Administrative & General	\$592	\$591	\$392	\$250
Repairs & Maintenance	\$286	\$1,233	\$513	\$450
Management Fee <sup>1</sup>	\$397	\$828	\$509	\$597
Payroll	\$1,443	807	1,272	\$600
Advertising & Promotion	\$71	\$284	382	\$100
Replacement Reserves	\$0	\$0	-	\$250
Operating Expenses	\$5,226	\$6,333	\$4,898	\$4,459
Operating Expense Ratio	39.4%	38.4%	38.5%	29.9%
<sup>1</sup> (Mgmt. typically analyzed as a % of EGI)	3.0%	5.0%	4.0%	4.0%
<sup>2</sup> The median total differs from the sum of the individual amounts.				
Compiled by CBRE				

A discussion of each expense category is presented on the following pages.

### Real Estate Taxes

The comparable data and projections for the subject are summarized as follows:

<b>REAL ESTATE TAXES</b>		
Year	Total	\$/Unit
ProForma	\$68,705	\$1,091
Expense Comparable 1	N/A	\$1,495
Expense Comparable 2	N/A	\$1,740
Expense Comparable 3	N/A	\$1,081
<b>CBRE Estimate</b>	<b>\$80,760</b>	<b>\$1,282</b>
Compiled by CBRE		

### Property Insurance

Property insurance expenses typically include fire and extended coverage and owner's liability coverage. The comparable data and projections for the subject are summarized as follows:

<b>PROPERTY INSURANCE</b>		
Year	Total	\$/Unit
ProForma	\$15,566	\$247
Expense Comparable 1	N/A	\$239
Expense Comparable 2	N/A	\$222
Expense Comparable 3	N/A	\$254
<b>CBRE Estimate</b>	<b>\$15,120</b>	<b>\$240</b>
Compiled by CBRE		

### Utilities

Utility expenses include electricity, natural gas, water, trash and sewer. The comparable data and projections for the subject are summarized as follows:

<b>UTILITIES</b>		
Year	Total	\$/Unit
ProForma	\$15,120	\$240
Expense Comparable 1	N/A	\$702
Expense Comparable 2	N/A	\$628
Expense Comparable 3	N/A	\$495
<b>CBRE Estimate</b>	<b>\$43,470</b>	<b>\$690</b>
Compiled by CBRE		

Primary emphasis has been placed on the expense comparables which have a similar utility structure to the subject.

### Administrative & General

Administrative expenses typically include legal costs, accounting, telephone, supplies, furniture, temporary help and items that are not provided by off-site management. The comparable data and projections for the subject are summarized as follows:

<b>ADMINISTRATIVE &amp; GENERAL</b>		
Year	Total	\$/Unit
ProForma	\$1,616	\$26
Expense Comparable 1	N/A	\$592
Expense Comparable 2	N/A	\$591
Expense Comparable 3	N/A	\$392
<b>CBRE Estimate</b>	<b>\$15,750</b>	<b>\$250</b>
Compiled by CBRE		

The CBRE estimate has been placed at the midpoint of the range between the subjects proforma and the comparable data.

### Repairs and Maintenance

Repairs and maintenance expenses typically include all outside maintenance service contracts and the cost of maintenance and repairs supplies. The comparable data and projections for the subject are summarized as follows:

<b>REPAIRS &amp; MAINTENANCE</b>		
Year	Total	\$/Unit
ProForma	\$25,618	\$407
Expense Comparable 1	N/A	\$286
Expense Comparable 2	N/A	\$1,233
Expense Comparable 3	N/A	\$513
<b>CBRE Estimate</b>	<b>\$28,350</b>	<b>\$450</b>
Compiled by CBRE		

### Management Fee

Management expenses are typically negotiated as a percentage of collected revenues (i.e., effective gross income). The comparable data and projections for the subject are summarized as follows:

<b>MANAGEMENT FEE</b>		
Year	Total	% EGI
ProForma	\$29,551	3.3%
<b>CBRE Estimate</b>	<b>\$37,598</b>	<b>4.0%</b>
Compiled by CBRE		

### Payroll

Payroll expenses typically include all payroll and payroll related items for all directly employed administrative personnel. Not included are the salaries or fees for off-site management firm personnel and services. The comparable data and projections for the subject are summarized as follows:

<b>PAYROLL</b>		
Year	Total	\$/Unit
ProForma	\$0	\$0
Expense Comparable 1	N/A	\$1,443
Expense Comparable 2	N/A	\$807
Expense Comparable 3	N/A	\$1,272
<b>CBRE Estimate</b>	<b>\$37,800</b>	<b>\$600</b>
Compiled by CBRE		

The CBRE estimate has been concluded at the midpoint of the range between the subjects proforma and the expense comparables.

### Advertising and Promotion

Advertising and promotion expenses typically include all costs associated with the promotion of the subject including advertisements in local publications, trade publications, yellow pages, et cetera. The comparable data and projections for the subject are summarized as follows:

<b>ADVERTISING &amp; PROMOTION</b>		
Year	Total	\$/Unit
ProForma	\$566	\$9
Expense Comparable 1	N/A	\$71
Expense Comparable 2	N/A	\$284
Expense Comparable 3	N/A	\$382
<b>CBRE Estimate</b>	<b>\$6,300</b>	<b>\$100</b>
Compiled by CBRE		

### Reserves for Replacement

Reserves for replacement have been estimated based on market parameters. The comparable data and projections for the subject are summarized as follows:

<b>REPLACEMENT RESERVES</b>		
Year	Total	\$/Unit
ProForma	\$0	\$0
Expense Comparable 1	N/A	\$0
Expense Comparable 2	N/A	\$0
Expense Comparable 3	N/A	\$0
<b>CBRE Estimate</b>	<b>\$15,750</b>	<b>\$250</b>
Compiled by CBRE		

### OPERATING EXPENSE CONCLUSION

The comparable data and projections for the subject are summarized as follows:

OPERATING EXPENSES		
Year	Total	\$/Unit
ProForma	\$156,741	\$2,488
Expense Comparable 1	N/A	\$5,226
Expense Comparable 2	N/A	\$6,333
Expense Comparable 3	N/A	\$4,898
<b>CBRE Estimate</b>	<b>\$280,899</b>	<b>\$4,459</b>
Compiled by CBRE		

## NET OPERATING INCOME CONCLUSION

The comparable data and projections for the subject are summarized as follows:

NET OPERATING INCOME		
Year	Total	\$/Unit
ProForma	\$737,489	\$11,706
<b>CBRE Estimate</b>	<b>\$659,062</b>	<b>\$10,461</b>
Compiled by CBRE		

## DIRECT CAPITALIZATION

Direct capitalization is a method used to convert a single year's estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate.

### Comparable Sales

The overall capitalization rates (OARs) confirmed for the comparable sales analyzed in the sales comparison approach are as follows:

COMPARABLE CAPITALIZATION RATES					
Sale	Sale Date	Sale Price \$/Unit	Occupancy	Buyer's Primary Analysis	OAR
1	Dec-22	\$196,261	94%	Pro Forma (Stabilized)	4.90%
2	Oct-22	\$199,212	92%	Pro Forma (Stabilized)	4.38%
3	Oct-22	\$158,871	95%	Pro Forma (Stabilized)	4.97%
4	Oct-22	\$143,750	99%	Pro Forma (Stabilized)	5.41%
6	May-22	\$160,417	0%	Pro Forma (Stabilized)	4.91%
<b>Indicated OAR:</b>			<b>96%</b>		<b>3.70% - 5.01%</b>
Compiled by: CBRE					

### Published Investor Surveys

The results of the most recent investor surveys are summarized in the following chart.

OVERALL CAPITALIZATION RATES		
Investment Type	OAR Range	Average
CBRE Apartments		
Class A	4.52% - 5.34%	4.77%
Class B	4.81% - 5.85%	5.14%
Class C	5.36% - 7.10%	5.82%
RealtyRates.com		
Apartments	4.04% - 12.35%	7.94%
Garden/Suburban TH	4.04% - 11.10%	7.21%
Hi-Rise/Urban TH	4.99% - 12.35%	8.17%
PwC Apartment		
National Data	3.00% - 7.00%	4.40%
Indicated OAR:		5.25% - 5.75%
Compiled by: CBRE		

The subject is considered to be a Class B property. As a result, a capitalization rate of 5.25% - 5.75% is considered applicable to the subject.

### Band of Investment

The band of the investment technique has been utilized as a crosscheck to the foregoing techniques. The Mortgage Interest Rate and the Equity Dividend Rate (EDR) are based upon current market yields for similar investments. The analysis is shown in the following table.

BAND OF INVESTMENT				
Mortgage Interest Rate	6.00%			
Mortgage Term (Amortization Period)	25 Years			
Mortgage Ratio (Loan-to-Value)	75%			
Mortgage Constant (monthly payments)	0.07732			
Equity Dividend Rate (EDR)	8.00%			
Mortgage Requirement	75%	x	0.07732	= 0.05799
Equity Requirement	25%	x	0.08000	= 0.02000
	100%			0.07799
Indicated OAR:				7.80%
Compiled by: CBRE				

### Capitalization Rate Conclusion

The following chart summarizes our capitalization rate conclusion.

<b>OVERALL CAPITALIZATION RATE - CONCLUSION</b>	
Source	Indicated OAR
Comparable Sales	3.70% - 5.01%
Published Surveys	5.25% - 5.75%
Band of Investment	7.80%
<b>CBRE Estimate</b>	<b>5.75%</b>
Compiled by: CBRE	

The subject is in good condition, features good quality components, and has good functional utility. We have also considered recent events and prevailing market conditions with respect to capitalization rates. This includes a combination of inflationary pressures, higher cost of capital (considering interest rates as well as risk spreads), and the recent geopolitical events. While the overall long-term outlook for commercial real estate remains positive, the full effect of these factors may not yet be reflected in transactional data. Overall, we view uncertainty and the higher cost of capital to have an upward influence on capitalization rates which is considered with respect to our conclusion herein.

### Direct Capitalization Summary

A summary of the direct capitalization is illustrated in the following chart. Please note that the following direct capitalization summary is as of our estimated date of stabilization.



## DIRECT CAPITALIZATION SUMMARY

		\$/Unit/Yr	Total
<b>Income</b>			
Potential Rental Income		\$14,457	\$910,800
Loss to Lease	0.00%	0	-
Concessions	0.00%	0	-
<b>Adjusted Rental Income</b>		\$14,457	\$910,800
Commercial Income		0	\$1
Vacancy	4.00%	(\$578)	(\$36,432)
<b>Net Rental Income</b>		\$13,879	\$874,369
Parking Income		\$585	\$36,864
Storage Income		\$256	\$16,128
Other Income		\$200	\$12,600
<b>Effective Gross Income</b>		\$14,920	\$939,961
<b>Expenses</b>			
Real Estate Taxes		\$1,282	\$80,760
Property Insurance		\$240	\$15,120
Utilities		\$690	\$43,470
Administrative & General		\$250	\$15,750
Repairs & Maintenance		\$450	\$28,350
Management Fee	4.00%	\$597	\$37,598
Payroll		\$600	\$37,800
Advertising & Promotion		\$100	\$6,300
Replacement Reserves		\$250	\$15,750
<b>Operating Expenses</b>		<b>\$4,459</b>	<b>\$280,899</b>
<b>Operating Expense Ratio</b>			29.88%
<b>Net Operating Income</b>		<b>\$10,461</b>	<b>\$659,062</b>
<b>OAR</b>		÷	<b>5.75%</b>
<b>Indicated Stabilized Value</b>			<b>\$11,461,951</b>
<b>Rounded</b>			<b>\$11,460,000</b>
Deferred Maintenance			-
Lease-Up Discount			(700,000)
<b>Indicated Value As Complete</b>			<b>\$10,760,000</b>
Remaining Construction Costs			(\$785,000)
<b>Indicated Value As Is</b>			<b>\$9,975,000</b>
<b>Value Per Unit</b>			<b>\$158,333</b>

Compiled by CBRE

## Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

<b>SUMMARY OF VALUE CONCLUSIONS</b>			
	As Is on September 14, 2023	As Complete on January 1, 2024	As Stabilized on July 1, 2024
Cost Approach	\$9,975,000	\$10,760,000	\$11,460,000
Sales Comparison Approach	\$8,915,000	\$9,700,000	\$10,400,000
Income Capitalization Approach	\$9,975,000	\$10,760,000	\$11,460,000
Reconciled Value	\$9,975,000	\$10,760,000	\$11,460,000
Compiled by CBRE			

The cost approach typically gives a reliable value indication when there is strong support for the replacement cost estimate and when there is minimal depreciation. Considering the limited amount of depreciation present in the property, the reliability of the cost approach is considered somewhat reliable, however, there is external obsolescence. Therefore, the cost approach is considered less applicable to the subject and is used primarily as a test of reasonableness against the other valuation techniques.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication but has been given secondary emphasis in the final value reconciliation.

The income capitalization approach is applicable to the subject since it is an income producing property leased in the open market. Market participants are primarily analyzing properties based on their income generating capability. Therefore, the income capitalization approach is considered a reasonable and substantiated value indicator and has been given primary emphasis in the final value estimate.

Based on the foregoing, the market value of the subject has been concluded as follows:

<b>MARKET VALUE CONCLUSION</b>			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leased Fee Interest	September 14, 2023	\$9,975,000
As Complete	Leased Fee Interest	January 1, 2024	\$10,760,000
As Stabilized	Leased Fee Interest	July 1, 2024	\$11,460,000
Compiled by CBRE			

At the request of the client, the appraisers have valued the net benefit to the developer/owner of the property for the tax increment financing agreement. The analysis utilizes our year 1 real estate tax expense with an annual growth rate of 3.00%. The discount rate utilized is 4.50% based upon short term comparable investment instruments ranging from 4.00% - 5.00%. The following charts illustrate this analysis.

**Rounded      \$1,290,000**

## Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
  - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
  - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
  - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
  - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
  - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
  - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
  - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
  - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
  - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
  - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

**ADDENDA**

Addendum A

## LAND SALE DATA SHEETS



# Sale Land - Multi Unit Residential No. 1

Property Name Jefferson Reserve Land  
Address 1101 N Career Ave  
Sioux Falls, SD 57107  
United States

Government Tax Agency Minnehaha  
Govt./Tax ID 96534

## Site/Government Regulations

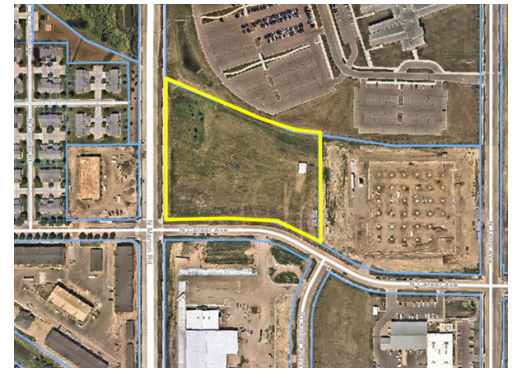
	Acres	Square feet
Land Area Net	6.050	263,547
Land Area Gross	6.050	263,547

Site Development Status	Finished
Shape	Irregular
Topography	Moderate Slope
Utilities	Municipal

Maximum FAR N/A  
Min Land to Bldg Ratio N/A  
Maximum Density N/A

Frontage Distance/Street	545 ft N. Marion Road
Frontage Distance/Street	625 ft N. Career Avenue

General Plan Residential Development  
Specific Plan Multifamily  
Zoning LW  
Entitlement Status Final Tract



## Sale Summary

Recorded Buyer	Jefferson Reserve LP	Marketing Time	N/A
True Buyer	N/A	Buyer Type	Developer
Recorded Seller	Boyce Park Partners I, LLC	Seller Type	Private Investor
True Seller	N/A	Primary Verification	County Records
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Land	Date	6/29/2023
Proposed Use	Multifamily Development	Sale Price	\$1,700,000
Listing Broker	Bender Commercial Real Estate	Financing	Market Rate Financing
Selling Broker	N/A	Cash Equivalent	\$1,700,000
Doc #	Book 00620 Page 00693	Capital Adjustment	\$0
		Adjusted Price	\$1,700,000

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
06/2023	Sale	Jefferson Reserve LP	Boyce Park Partners I, LLC	\$1,700,000	\$280,982 / \$6.45

<b>Sale</b>	<b>Land - Multi Unit Residential</b>	<b>No. 1</b>
-------------	--------------------------------------	--------------

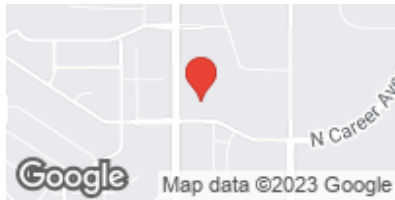
<b>Units of Comparison</b>
----------------------------

\$6.45 / sf	\$20,238 / Unit
\$280,982.45 / ac	N/A / Allowable Bldg. Units
	N/A / Building Area

<b>Financial</b>
------------------

**No information recorded**

<b>Map &amp; Comments</b>
---------------------------



This comparable represents a 6.05-acre site on the NE corner of Marion Rd. and Career Ave. in Sioux Falls, South Dakota. The site is irregular in shape, has a slightly sloping topography, and is zoned LW. The current owner of the property is Jefferson Reserve LP. Jefferson Reserve LP has owned the property since June 29, 2023, when they purchased the site for \$1,700,000, or \$6.45/SF. The buyer was interviewed regarding the sale transaction, and based on this interview there is no reason to believe the sale was anything other than market. The property rights involved in the sale transaction were the fee simple estate. The property was publicly listed for sale by Bender Commercial and the buyer is purchasing the property via conventional bank financing. The transaction is arm's length and involved typical motivation. No buyer expenditures were identified with the transaction, non-realty components were not included, and no other adjustments were required. The buyer will begin constructing a multifamily facility in September of 2023.

# Sale Land - Multi Unit Residential No. 2

Property Name Fifth Park Apartments  
Address 4908 5th St St  
Rapid City, SD 57701  
United States

Government Tax Agency N/A  
Govt./Tax ID 72997

## Site/Government Regulations

	Acres	Square feet
Land Area Net	5.320	231,739
Land Area Gross	5.320	231,739

Site Development Status	Finished
Shape	Irregular
Topography	Generally Level
Utilities	Municipal

Maximum FAR N/A  
Min Land to Bldg Ratio N/A  
Maximum Density N/A

Frontage Distance/Street 870 ft 5th Street

General Plan Mixed Use  
Specific Plan Apartments and Commercial  
Zoning General Commercial & Office Commercial  
Entitlement Status Final Tract

## Sale Summary

Recorded Buyer	Bruce & Mary Miesen	Marketing Time	N/A
True Buyer	Bruce & Mary Miesen	Buyer Type	Developer
Recorded Seller	Stoneridge LLC	Seller Type	Private Investor
True Seller	N/A	Primary Verification	Developer

Interest Transferred Fee Simple/Freehold  
Current Use Build Ready Land  
Proposed Use Mixed Use Development  
Listing Broker N/A  
Selling Broker N/A  
Doc # Book 154/Page 05583

Type	Sale
Date	7/7/2022
Sale Price	\$1,874,000
Financing	Other(See Comments)
Cash Equivalent	\$1,874,000
Capital Adjustment	\$0
Adjusted Price	\$1,874,000

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
07/2022	Sale	Bruce & Mary Miesen	Stoneridge LLC	\$1,874,000	\$352,256 / \$8.09



## Sale Land - Multi Unit Residential No. 2

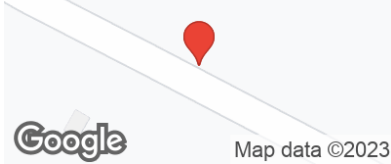
### Units of Comparison

\$8.09 / sf	\$15,236 / Unit
\$352,255.64 / ac	N/A / Allowable Bldg. Units
	N/A / Building Area

### Financial

No information recorded

### Map & Comments



This comparable represents a 5.32-acre site zoned general commercial located along 5th street in Rapid City South Dakota. Fifth Park, LLC has owned the subject property since July 7, 2022, when they purchased the property for \$1,874,000, or \$8.09/SF. The sale transaction reflected the purchase of the land only in a build-ready condition. The property was purchased to develop two apartment buildings. One will have commercial and retail on the ground floor and the second will have underground parking.

# Sale Land - Multi Unit Residential No. 3

Property Name Proposed Lincoln Apartments Site  
Address 3680 Veterans Blvd  
Fargo, ND 58078  
United States

Government Tax Agency N/A  
Govt./Tax ID 01-8682-00500-000

## Site/Government Regulations

	Acres	Square feet
Land Area Net	3.738	162,838
Land Area Gross	3.738	162,838

Site Development Status	Finished
Shape	Rectangular
Topography	Generally Level
Utilities	All Available

Maximum FAR N/A  
Min Land to Bldg Ratio N/A  
Maximum Density 26.75 per ac

Frontage Distance/Street	600 ft Veterans Boulevard
Frontage Distance/Street	300 ft 37th Avenue S.

General Plan N/A  
Specific Plan N/A  
Zoning GC  
Entitlement Status N/A

## Sale Summary

Recorded Buyer	EPIC Holdings II, LLC	Marketing Time	N/A
True Buyer	EPIC	Buyer Type	Developer
Recorded Seller	K Square Developers, LLC	Seller Type	Private Investor
True Seller	N/A	Primary Verification	Buyer, Public Record

Interest Transferred Fee Simple/Freehold  
Current Use Vacant Land  
Proposed Use 2 Apartment Buildings, 100 Units  
Listing Broker N/A  
Selling Broker N/A  
Doc # WD # 1657432

Type	Sale
Date	11/22/2021
Sale Price	\$1,768,981
Financing	Market Rate Financing
Cash Equivalent	\$1,768,981
Capital Adjustment	\$0
Adjusted Price	\$1,768,981

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
11/2021	Sale	EPIC Holdings II, LLC	K Square Developers, LLC	\$1,768,981	\$473,217 / \$10.86



<b>Sale</b>	<b>Land - Multi Unit Residential</b>	<b>No. 3</b>
-------------	--------------------------------------	--------------

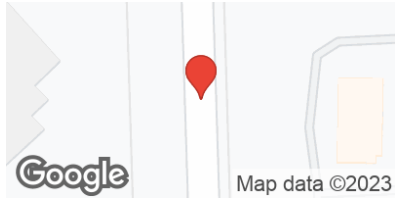
**Units of Comparison**

\$10.86 / sf	\$17,690 / Unit
\$473,217.32 / ac	\$17,690 / Allowable Bldg. Units
	N/A / Building Area

**Financial**

No information recorded

**Map & Comments**



This comparable represents a 3.74-acre vacant land site located at 3680 Veterans Blvd in West Fargo. The site was zoned GC at the time of sale and had access to all utilities. The site featured a level topography and no detrimental site conditions. The site was purchased by EPIC for the development of the The Lincoln and The Falcon apartments. The two buildings will have approximately 100 units, although the final unit count for The Falcon has not been finalized. The site was purchased on November 22, 2021 for \$1,768,981 or \$10.86 PSF.

**Sale Land - Multi Unit Residential No. 4**

Property Name The Marketplace Land  
Address 15 1st St NW  
Watertown, SD 57201  
United States

Government Tax Agency N/A  
Govt./Tax ID N/A

**Site/Government Regulations**

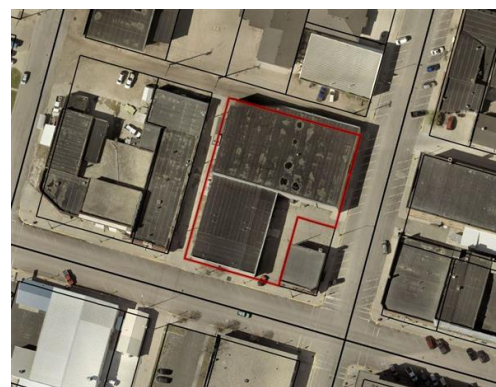
	Acres	Square feet
Land Area Net	0.671	29,240
Land Area Gross	0.671	29,240

Site Development Status	N/A
Shape	L Shaped
Topography	Generally Level
Utilities	Municipal

Maximum FAR N/A  
Min Land to Bldg Ratio N/A  
Maximum Density 104.28 per ac

Frontage Distance/Street	115 ft W. Kemp Avenue
Frontage Distance/Street	114 ft 1st St. NW

General Plan Multifamily & Retail  
Specific Plan 70 Apt. Units & 1,900 SF Retail  
Zoning C-1 Community Commercial District  
Entitlement Status N/A



**Sale Summary**

Recorded Buyer	15DTW, LLC	Marketing Time	N/A
True Buyer	Kirk Simet, et.al.	Buyer Type	Developer
Recorded Seller	Ralph Endres Trust & Janice Endres	Seller Type	Private Investor
True Seller	N/A	Primary Verification	Buyer & County Records

Interest Transferred Fee Simple/Freehold  
Current Use Vacant Building  
Proposed Use Raze & Redevelop for Mixed-use Multifamily & Retail  
Listing Broker N/A  
Selling Broker N/A  
Doc # N/A

Type	Sale
Date	5/5/2020
Sale Price	\$530,000
Financing	Cash to Seller
Cash Equivalent	\$530,000
Capital Adjustment	\$145,000
Adjusted Price	\$675,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
05/2020	Sale	15DTW, LLC	Ralph Endres Trust & Janice Endres	\$530,000	\$1,005,512 / \$23.08

# Sale Land - Multi Unit Residential No. 4

## Units of Comparison

\$23.08 / sf	\$9,643 / Unit
\$1,005,511.69 / ac	\$9,643 / Allowable Bldg. Units
	N/A / Building Area

## Financial

No information recorded

## Map & Comments



This comparable represents a 0.67-acre site located at 15 1st Street NW in Watertown, South Dakota. At the time of sale, the site was improved with an old building that the buyer subsequently razed at an estimated cost of \$145,000; hence, an adjustment to the sale price is made for buyer expenditures in order to prepare the site to a build-ready condition. The adjusted sale price is \$675,000, or \$23.08/SF. The property is proposed to be improved in 2022 with a 100,127 SF mixed-use project containing 70 multi-family units and 1,900 SF of main floor commercial/retail space. The sale price per apartment unit is \$9,643.



**Addendum B**

**IMPROVED SALE DATA SHEETS**

**Sale Residential - Multi-unit Lofts No. 1**

Property Name The Vue  
Address 922,927 8th Street and 915 9th Street  
Des Moines, IA 50309  
United States

Government Tax Agency N/A  
Govt./Tax ID N/A

**Unit Mix Detail**

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	21	19%	834	\$1,250	\$1.50
2BR/2BA	67	60%	1,100	\$1,536	\$1.40
2BR/1BA	1	1%	1,107	\$1,301	\$1.18
3BR/2BA	22	20%	1,388	\$1,849	\$1.33
Totals/Avg	111			\$1,542	\$1.39



**Improvements**

Land Area	2.101 ac	Status	Existing
Net Rentable Area (NRA)	122,857 sf	Year Built	2017
Total # of Units	111 Unit	Year Renovated	N/A
Average Unit Size	1,107 sf	Condition	Good
Floor Count	4	Exterior Finish	N/A
Property Features	Under-building Parking		
Project Amenities	Dog Grooming Station, Dog Park / Run, Fitness Center, Game Room, Roof Deck / Terrace		
Unit Amenities	Dishwasher, Garbage Disposal, Microwave Oven, Private Patios / Balconies, Range / Oven, Refrigerator with Icemaker, Silver Appliances, Washer / Dryer		

**Sale Summary**

Recorded Buyer	MCP Capital RE LLC	Marketing Time	N/A
True Buyer	Pacific Oak Capital Advisors	Buyer Type	N/A
Recorded Seller	HRC 8th Street, LLC; HRC 8th Street II, LLC	Seller Type	N/A
True Seller	HRC 8th Street, LLC; HRC 8th Street II, LLC	Primary Verification	Purchase Agreement
Interest Transferred	Leased Fee	Type	Sale
Current Use	Multi-Family	Date	12/1/2022
Proposed Use	Multi-Family	Sale Price	\$24,885,000
Listing Broker	No Broker on Deal	Financing	Market Rate Financing
Selling Broker	No Broker on Deal	Cash Equivalent	\$24,885,000
Doc #	N/A - Under Contract	Capital Adjustment	\$-3,100,000
		Adjusted Price	\$21,785,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
12/2022	Sale	MCP Capital RE LLC	HRC 8th Street, LLC; HRC 8th Street II, LLC	\$24,885,000	\$224,189 / \$202.55
12/2022	Under Contract	MCP Capital RE LLC	HRC 8th Street, LLC; HRC 8th Street II, LLC	\$25,550,000	\$230,180 / \$207.97

# Sale Residential - Multi-unit Lofts No. 1

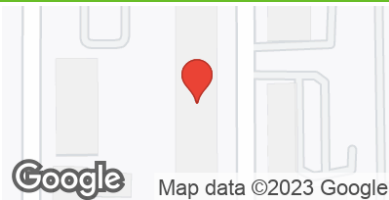
## Units of Comparison

Static Analysis Method	Pro Forma (Stabilized)	Eff Gross Inc Mult (EGIM)	10.57
Buyer's Primary Analysis	Static Capitalization Analysis	Op Exp Ratio (OER)	48.24%
Net Initial Yield/Cap. Rate	4.90%	Adjusted Price / sf	\$177.32
Projected IRR	N/A	Adjusted Price / Unit	\$196,261
Actual Occupancy at Sale	94%		

## Financial

Revenue Type	Pro Forma Stabilized	Market	Trailing Actuals
Period Ending	7/31/2022	7/31/2022	7/31/2022
Source	Appraiser	N/A	Other(See Comments)
Price	\$21,785,000	\$21,785,000	\$24,885,000
Potential Gross Income	N/A	N/A	N/A
Economic Occupancy	N/A	N/A	N/A
Economic Loss	N/A	N/A	N/A
Effective Gross Income	\$2,060,945	\$1,986,586	\$1,986,586
Expenses	\$994,254	\$1,105,150	\$638,495
Net Operating Income	\$1,066,691	\$881,436	\$1,348,091
NOI / sf	\$8.68	\$7.17	\$10.97
NOI / Unit	\$9,610	\$7,941	\$12,145
EGIM	10.57	10.97	12.53
OER	48.24%	55.63%	32.14%
Net Initial Yield/Cap. Rate	4.90%	4.05%	5.42%

## Map & Comments



This comparable represents The Vue apartments located at 922 8th Street in Des Moines, Iowa. The property consists of three, predominantly four-story apartment buildings and features Class-A amenities including a dog wash station, community room, fitness center, rooftop terrace, leasing office, and underground parking. The improvements were constructed in 2017 and are situated on a 2.11-acre site. The property sold in December of 2022 for \$24,885,000, or \$224,189 per unit. Pro forma NOI at the time of sale was \$1,066,691, indicating a 4.29% cap rate on the transaction. Pro Forma NOI was calculated using our estimate of income, expenses, and full real estate taxes. The property's actual expenses were considered higher than market. The property features a tax abatement estimated to be valued at \$3,100,000. Therefore, an adjusted sale price of \$21,785,000, or \$196,261 is inferred. Utilizing the pro forma NOI, an adjusted capitalization rate of 4.90% is inferred. Occupancy at the time of sale was 94%. The property was not marketed and the transaction is considered arm's length.

**Sale Residential - Multi-unit Lofts No. 2**

Property Name Soll Apartments  
Address 2301 Ingersoll Avenue  
Des Moines, IA 50312  
United States

Government Tax Agency Polk  
Govt./Tax ID 7824-05-379-004

**Unit Mix Detail**

Rate Timeframe	Yearly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	61	37%	495	\$870	\$1.76
1BR/1BA	3	2%	538	\$1,124	\$2.09
1BR/1BA	1	1%	593	\$1,155	\$1.95
1BR/1BA	36	22%	615-662	\$1,150-\$1,202	\$1.84
1BR/1BA	3	2%	684	\$1,409	\$2.06
1BR/1BA	3	2%	773-774	\$1,349	\$1.74
2BR/1BA	4	2%	792	\$1,240	\$1.57
2BR/2BA	34	21%	838-955	\$1,390	\$1.55
2BR/2BA	3	2%	971	\$1,639	\$1.69
2BR/2BA	6	4%	989-993	\$1,494-\$1,590	\$1.56
2BR/2BA	6	4%	1,009	\$1,595	\$1.58
2BR/2BA	5	3%	1,072	\$1,750	\$1.63
Totals/Avg	165			\$1,169	\$1.70



**Improvements**

Land Area	2.601 ac	Status	Existing
Net Rentable Area (NRA)	127,701 sf	Year Built	2018
Total # of Units	165 Unit	Year Renovated	N/A
Average Unit Size	774 sf	Condition	New
Floor Count	4	Exterior Finish	EIFS
Property Features	Surface Parking		
Project Amenities	Fitness Center, Pool		
Unit Amenities	Dishwasher, Refrigerator, Washer / Dryer		

**Sale Summary**

Recorded Buyer	Soll Owner LLC	Marketing Time	N/A
True Buyer	Spruce Capital Partners	Buyer Type	Private Investor
Recorded Seller	2301 Ingersoll LLC	Seller Type	Private Investor
True Seller	Roers Companies	Primary Verification	Broker, Assessor

Interest Transferred	Leased Fee	Type	Sale
Current Use	N/A	Date	10/24/2022
Proposed Use	N/A	Sale Price	\$32,870,000
Listing Broker	CBRE	Financing	Market Rate Financing
Selling Broker	N/A	Cash Equivalent	\$32,870,000
Doc #	N/A	Capital Adjustment	\$0
		Adjusted Price	\$32,870,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
10/2022	Sale	Soll Owner LLC	2301 Ingersoll LLC	\$32,870,000	\$199,212 / \$257.40

## Sale Residential - Multi-unit Lofts No. 2

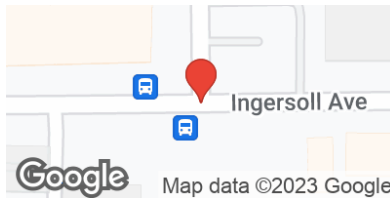
### Units of Comparison

Static Analysis Method	Pro Forma (Stabilized)	Eff Gross Inc Mult (EGIM)	N/A
Buyer's Primary Analysis	Static Capitalization Analysis	Op Exp Ratio (OER)	N/A
Net Initial Yield/Cap. Rate	4.38%	Adjusted Price / sf	\$257.40
Projected IRR	N/A	Adjusted Price / Unit	\$199,212
Actual Occupancy at Sale	92%		

### Financial

Revenue Type	Pro Forma Stabilized
Period Ending	10/31/2023
Source	Broker
Price	\$32,870,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	\$1,439,706
NOI / sf	\$11.27
NOI / Unit	\$8,725
EGIM	N/A
OER	N/A
Net Initial Yield/Cap. Rate	4.38%

### Map & Comments



This is the sale of a 165-unit apartment property located at 2301 Ingersoll Avenue in Des Moines, IA. It was constructed in 2018 and was considered to be in good condition at the time of sale. Amenities include surface parking, a fitness center, pool, and in-unit laundry. It also features ground level commercial area of 12,996 square feet. The property was roughly 92% occupied at the time of sale. The property sold in October of 2022 for \$32,870,000, or \$199,212 per unit. Based upon the broker's pro forma NOI, which included full taxes, a capitalization rate of 4.38% is inferred. The property included 6 years of 100% tax abatement, which is included in the price paid and was not subtracted.

# Sale Residential - Multi-unit Mid / High Rise No. 3

Property Name Maxwell Apartments  
Address 915 Mulberry Street  
Des Moines, IA 50309  
United States

Government Tax Agency Polk  
Govt./Tax ID 020/00963-200-001

## Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
Studio - M1	3	5%	448	\$899	\$2.01
Studio - M5	11	18%	452	\$959	\$2.12
Studio - M4	2	3%	460	\$945	\$2.05
Studio - M2	3	5%	462	\$984	\$2.13
Studio - M3	2	3%	519	\$896	\$1.73
Studio - M3A	1	2%	521	\$850	\$1.63
1BR/1BA - A2	1	2%	700	\$1,340	\$1.91
1BR/1BA - A1	24	39%	732	\$1,300	\$1.78
2BR/2BA - C3	1	2%	955	\$1,445	\$1.51
2BR/2BA - C2A	1	2%	960	\$1,502	\$1.56
2BR/2BA - C2	2	3%	969	\$1,426	\$1.47
2BR/2BA - C4	4	6%	995	\$1,687	\$1.70
2BR/2BA - C6	1	2%	1,070	\$1,795	\$1.68
2BR/2BA - C1	3	5%	1,074	\$1,520	\$1.42
2BR/2BA - C5	3	5%	1,101	\$1,587	\$1.44
Totals/Avg	62			\$1,241	\$1.75



## Improvements

Land Area	0.424 ac	Status	Existing
Net Rentable Area (NRA)	43,877 sf	Year Built	2016
Total # of Units	62 Unit	Year Renovated	N/A
Average Unit Size	708 sf	Condition	Good
Floor Count	5	Exterior Finish	EIFS
Property Features	Under-building Parking		
Project Amenities	Courtyard, Storage Units		
Unit Amenities	Dishwasher, Microwave Oven, Private Patios / Balconies, Quartz Countertops, Range / Oven, Refrigerator, Stainless Steel Appliances, Washer / Dryer		

## Sale Summary

Recorded Buyer	Vast Properties 2900 LLC	Marketing Time	N/A
True Buyer	Vast Properties 2900 LLC	Buyer Type	Private Investor
Recorded Seller	Hubbell Tower II LLC	Seller Type	Developer
True Seller	Hubbell Tower II LLC	Primary Verification	Broker, Public Records/Deed
Interest Transferred	Leased Fee	Type	Sale
Current Use	Multi-Family	Date	10/20/2022
Proposed Use	Multi-Family	Sale Price	\$10,600,000
Listing Broker	CBRE Hubbell	Financing	Market Rate Financing
Selling Broker	No Broker on Deal	Cash Equivalent	\$10,600,000
Doc #	19305/79	Capital Adjustment	\$-750,000
		Adjusted Price	\$9,850,000

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
10/2022	Sale	Vast Properties 2900 LLC	Hubbell Tower II LLC	\$10,600,000	\$170,968 / \$241.58
10/2022	Sale	Vast Properties 2900 LLC	Hubbell Tower II LLC	\$10,600,000	\$170,968 / \$241.58

## Sale Residential - Multi-unit Mid / High Rise No. 3

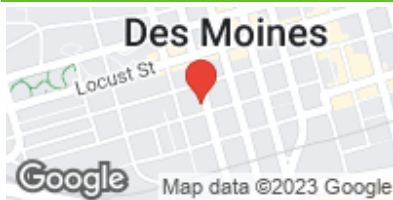
### Units of Comparison

Static Analysis Method	Pro Forma (Stabilized)	Eff Gross Inc Mult (EGIM)	N/A
Buyer's Primary Analysis	Static Capitalization Analysis	Op Exp Ratio (OER)	N/A
Net Initial Yield/Cap. Rate	4.97%	Adjusted Price / sf	\$224.49
Projected IRR	N/A	Adjusted Price / Unit	\$158,871
Actual Occupancy at Sale	95%		

### Financial

Revenue Type	Pro Forma Stabilized
Period Ending	N/A
Source	N/A
Price	\$9,850,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	\$489,993
NOI / sf	\$11.17
NOI / Unit	\$7,903
EGIM	N/A
OER	N/A
Net Initial Yield/Cap. Rate	4.97%

### Map & Comments



This comparable represents the sale of the Maxwell Apartments, located at 915 Mulberry Street in downtown Des Moines, Iowa. The 5-story, 62-unit property was constructed in 2016 and are situated on a 0.42-acre site. Amenities include controlled access, a courtyard patio, storage units, underground parking, and bike storage/repair. Garage rent ranges from \$125 to \$150 per month. The asset sold in October of 2022 for \$10,600,000 or \$170,967 per unit. According to the listing broker, Pro Forma NOI was \$489,993, indicating a 4.97% cap rate and includes a \$250 per unit reserve. We have deducted the NPV of the tax abatement at the time of sale of \$750,000 and included full real estate taxes.

**Sale Residential - Multi-unit Garden No. 4**

Property Name Sawyer Point Apartments - Phase 2  
Address 1221, 1223, 1241, 1251 and 1261 Tom Sawyer Trail  
Harrisburg, SD 57032  
United States

Government Tax Agency N/A  
Govt./Tax ID 270.82.01.002

**Unit Mix Detail**

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	52	36%	683	\$852	\$1.25
1BR/1BA + Den	8	6%	829	\$1,044	\$1.26
2BR/2BA	48	33%	909-937	\$1,177	\$1.28
3BR/2BA	36	25%	1,142-1,154	\$1,302	\$1.13
Totals/Avg	144			\$1,084	\$1.22



**Improvements**

Land Area	5.813 ac	Status	Existing
Net Rentable Area (NRA)	127,780 sf	Year Built	2022
Total # of Units	144 Units	Year Renovated	N/A
Average Unit Size	887 sf	Condition	Good
Floor Count	3	Exterior Finish	Fiber Cement Board
Property Features	Detached Garages, Individual Split Systems, On-Site Management, Surface Parking		
Project Amenities	Barbeque Area, Clubhouse, Fitness Center, Pool		
Unit Amenities	Carpeted Flooring, Laminate Countertops, Private Patios / Balconies, Vinyl Flooring, Washer / Dryer		

**Sale Summary**

Recorded Buyer	MFF Sports Complex, LLC	Marketing Time	N/A
True Buyer	N/A	Buyer Type	Private Investor
Recorded Seller	CR LLOYD ASSOCIATES INC	Seller Type	Corporation
True Seller	N/A	Primary Verification	Seller
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Multifamily	Date	10/13/2022
Proposed Use	Multifamily	Sale Price	\$18,526,500
Listing Broker	Private Sale	Financing	Cash to Seller
Selling Broker	N/A	Cash Equivalent	\$18,526,500
Doc #	N/A	Capital Adjustment	\$2,173,500
		Adjusted Price	\$20,700,000

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
10/2022	Sale	MFF Sports Complex, LLC	CR LLOYD ASSOCIATES INC	\$18,526,500	\$128,656 / \$144.99
08/2022	Under Contract	MFF Sports Complex, LLC	Sawyer Pointe Phase 2 LLC	\$18,526,500	\$128,656 / \$144.99



# Sale Residential - Multi-unit Garden No. 4

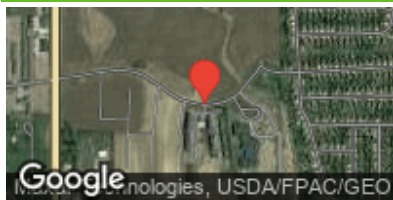
## Units of Comparison

Static Analysis Method	Pro Forma (Stabilized)	Eff Gross Inc Mult (EGIM)	11.11
Buyer's Primary Analysis	Static Capitalization Analysis	Op Exp Ratio (OER)	39.93%
Net Initial Yield/Cap. Rate	5.41%	Adjusted Price / sf	\$162.00
Projected IRR	N/A	Adjusted Price / Unit	\$143,750
Actual Occupancy at Sale	99%		

## Financial

	Pro Forma Stabilized	Other See Comments
Revenue Type		
Period Ending	N/A	N/A
Source	Appraiser	Seller
Price	\$20,700,000	\$20,700,000
Potential Gross Income	\$1,945,620	N/A
Economic Occupancy	96%	N/A
Economic Loss	\$82,066	N/A
Effective Gross Income	\$1,863,554	N/A
Expenses	\$744,105	N/A
Net Operating Income	\$1,119,449	\$1,085,083
NOI / sf	\$8.76	\$8.49
NOI / Unit	\$7,774	\$7,535
EGIM	11.11	N/A
OER	39.93%	N/A
Net Initial Yield/Cap. Rate	5.41%	5.24%

## Map & Comments



This comparable represents a 144-unit multi-family garden property located at 1221, 1223, 1241, 1251 and 1261 Tom Sawyer Trail in Harrisburg, South Dakota. The property consists of 4 three-story apartment buildings, one 3,235 SF clubhouse, and 4 six-stall detached garage buildings. The improvements were constructed in 2022 and are situated on a 5.81-acre site. The apartments offer one-, two-, and three-bedroom units with amenities such as private patios/balconies, dishwasher, and in unit washers and dryers. Project amenities include on-site management, fitness center, community room, outdoor pool, public restrooms and parcel pickup. Units are all electric and each unit is individually metered for electrical usage. Currently, the landlord is responsible for trash expense and the tenants paying all other utility costs. Water & sewer expense is reimbursed via a RUBS program. MFF Sports Complex LLC has agreed to purchase the 89.5% tenant in common ownership interest from C.R. Lloyd Associates, Inc. for \$18,526,500. This value was developed by applying a 5.25% capitalization rate to the seller's pro forma NOI of \$1,085,083, indicating a total property value of \$20,700,000 (Rd). The sale transaction is closed in October of 2022.

Since the pending sale reflects a partial ownership transfer, an adjustment of \$2,173,500 is made to the sale price to reflect the agreed upon total property value of \$20,700,000, or \$143,750/unit. The buyer is purchasing the property using 1031 Exchange funds; however, motivation appears typical and the transaction is arm's length. All non-realty items needed in the operation of the apartment complex are included in the sale price. The property was not exposed to the market and the transaction was privately negotiated. Overall, the transaction is expected to reflect market value. The stabilized pro forma developed by the appraiser resulting in an NOI of \$1,119,000 (Rd), indicating a capitalization rate of 5.41%. The appraiser pro forma was developed using current market rents for PGI with no deduction for loss to lease, a 4.5% vacancy & credit loss, 4% management expense, and \$250/unit in replacement reserves.

# Sale Residential - Multi-unit Garden No. 5

Property Name Champion Drive Apartments  
Address 3124 Champion Drive  
Rapid City, SD 57701  
United States

Government Tax Agency Pennington  
Govt./Tax ID N/A



## Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
Studio	N/A	N/A	678	\$1,070	\$1.58
1BD/1BA	N/A	N/A	801	N/A	N/A
2BD/2BA	N/A	N/A	1,080	\$1,295	\$1.20
3BR/2BA	N/A	N/A	1,140	N/A	N/A
Totals/Avg	0			N/A	N/A

## Improvements

Land Area	4.850 ac	Status	Existing
Net Rentable Area (NRA)	N/A	Year Built	2021
Total # of Units	80 Units	Year Renovated	N/A
Average Unit Size	sf	Condition	Good
Floor Count	3	Exterior Finish	N/A
Property Features	Detached Garages, Individual Split Systems, Pitched Roofs, Surface Parking		
Project Amenities	N/A		
Unit Amenities	Carpeted Flooring, Dishwasher, Garbage Disposal, Laminate Countertops, Microwave Oven, Plank Flooring, Private Patios / Balconies, Range / Oven, Refrigerator, Stainless Steel Appliances, Vinyl Flooring, Washer / Dryer		

## Sale Summary

Recorded Buyer	Champion Villa LLC	Marketing Time	N/A
True Buyer	N/A	Buyer Type	Private Investor
Recorded Seller	Champion Drive LLC	Seller Type	Private Investor
True Seller	N/A	Primary Verification	purchase agreement
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	N/A	Date	9/16/2022
Proposed Use	N/A	Sale Price	\$15,000,000
Listing Broker	N/A	Financing	Cash to Seller
Selling Broker	N/A	Cash Equivalent	\$15,000,000
Doc #	22-3509	Capital Adjustment	\$0
		Adjusted Price	\$15,000,000

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
09/2022	Sale	Champion Villa LLC	Champion Drive LLC	\$15,000,000	\$187,500 / N/A

**Sale Residential - Multi-unit Garden No. 5**

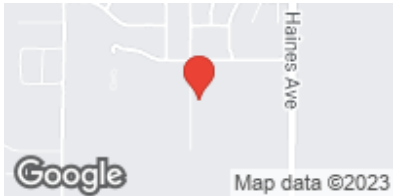
**Units of Comparison**

Static Analysis Method	N/A	Eff Gross Inc Mult (EGIM)	N/A
Buyer's Primary Analysis	N/A	Op Exp Ratio (OER)	N/A
Net Initial Yield/Cap. Rate	N/A	Adjusted Price / sf	N/A
Projected IRR	N/A	Adjusted Price / Unit	\$187,500
Actual Occupancy at Sale	N/A		

**Financial**

No information recorded

**Map & Comments**



# Sale Residential - Multi-unit Garden No. 6

Property Name Sullivan Square Apartments  
Address 600 and 606 North Bahnson Avenue  
Sioux Falls, SD 57103  
United States

Government Tax Agency Minnehaha  
Govt./Tax ID 92876

## Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BD/1BA	20	42%	920	\$915	\$0.99
2BD/2BA	20	42%	1,104	\$995	\$0.90
3BD/2BA	8	17%	1,381	\$1,225	\$0.89
Totals/Avg	48			\$1,000	\$0.93



## Improvements

Land Area	2.273 ac	Status	Proposed
Net Rentable Area (NRA)	51,528 sf	Year Built	2022
Total # of Units	48 Unit	Year Renovated	N/A
Average Unit Size	1,074 sf	Condition	New
Floor Count	2	Exterior Finish	Vinyl Siding
Property Features	Individual Split Systems, Interior Stairwells, Surface Parking		
Project Amenities	N/A		
Unit Amenities	Carpeted Flooring, Dishwasher, Laminate Countertops, Microwave Oven, Range / Oven, Refrigerator, Vinyl Flooring, Washer / Dryer		

## Sale Summary

Recorded Buyer	Bart and Paula Christensen Trustees of the Christensen Family Trust	Marketing Time	N/A
True Buyer	Bart and Paula Christensen	Buyer Type	Private Investor
Recorded Seller	Sullivan Square	Seller Type	Developer
True Seller	N/A	Primary Verification	Purchase Agreement
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Multifamily Residential	Date	5/20/2022
Proposed Use	Multifamily Residential	Sale Price	\$7,700,000
Listing Broker	N/A	Financing	Market Rate Financing
Selling Broker	N/A	Cash Equivalent	\$7,700,000
Doc #	N/A	Capital Adjustment	\$0
		Adjusted Price	\$7,700,000

## Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
05/2022	Sale	Bart and Paula Christensen Trustees of the Christensen Family Trust	Sullivan Square	\$7,700,000	\$160,417 / \$149.43
05/2022	Sale	Bart and Paula Christensen Trustees of the Christensen Family Trust	Sullivan Square	\$7,700,000	\$160,417 / \$149.43

# Sale Residential - Multi-unit Garden No. 6

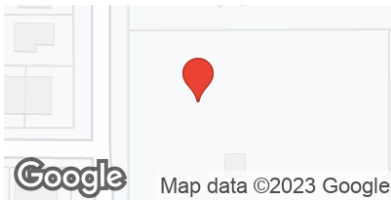
## Units of Comparison

Static Analysis Method	Pro Forma (Stabilized)	Eff Gross Inc Mult (EGIM)	13.49
Buyer's Primary Analysis	Static Capitalization Analysis	Op Exp Ratio (OER)	33.74%
Net Initial Yield/Cap. Rate	4.91%	Adjusted Price / sf	\$149.43
Projected IRR	N/A	Adjusted Price / Unit	\$160,417
Actual Occupancy at Sale	N/A		

## Financial

Revenue Type	Pro Forma Stabilized
Period Ending	N/A
Source	Appraiser
Price	\$7,700,000
Potential Gross Income	\$576,000
Economic Occupancy	96%
Economic Loss	\$23,040
Effective Gross Income	\$570,868
Expenses	\$192,587
Net Operating Income	\$378,280
NOI / sf	\$7.34
NOI / Unit	\$7,881
EGIM	13.49
OER	33.74%
Net Initial Yield/Cap. Rate	4.91%

## Map & Comments



This comparable represents a 48-unit multi-family walk-up property located at 600 and 606 North Bahnson Avenue in Sioux Falls, South Dakota. The property consists of two, two-story apartment buildings, with a unit mix of one-bedroom, one-bath units, two-bedroom, two-bath units, and three-bedroom, two-bath units. The improvements were constructed in 2022 and are situated on a 2.27-acre site. The property is currently under contract. The sale reflects the land and all apartments and townhomes in a development commonly known as Sullivan Square. The transaction is scheduled to close May 20, 2022, between the seller, Sullivan Square, and the buyer, Bart and Paula Christensen Trustees of the Christensen Family Trust, for \$7,700,000, or \$160,417/Unit. A capitalization rate of 5% using a 4% vacancy, 1% credit loss, 4% management fee, and \$250 reserves.

**Sale Residential - Multi-unit Mid / High Rise No. 7**

Property Name One Willow Creek  
Address 2000 Kemp Place East  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID 20169

**Unit Mix Detail**

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	14	39%	681-732	\$790-\$845	\$1.16
2BR/2BA	22	61%	1,114-1,697	\$1,185-\$1,695	\$1.02
Totals/Avg	36			\$1,198	\$1.06



**Improvements**

Land Area	1.559 ac	Status	Existing
Gross Building Area (GBA)	36,444 sf	Year Built	2016
Total # of Units	36 Units	Year Renovated	N/A
Average Unit Size	1,012 sf	Condition	Good
Floor Count	3	Exterior Finish	Vinyl Siding
Property Features	Elevators, Gated / Controlled Access, Individual Split Systems, On-Site Management		
Project Amenities	Fitness Center		
Unit Amenities	Ceiling Fans, Dishwasher, Granite Countertops, Microwave Oven, Range / Oven, Refrigerator, Stainless Steel Appliances, Tile Backsplash, Tub / Shower Combo, Vinyl Flooring, Washer / Dryer		

**Sale Summary**

Recorded Buyer	N/A	Marketing Time	N/A
True Buyer	N/A	Buyer Type	N/A
Recorded Seller	N/A	Seller Type	N/A
True Seller	N/A	Primary Verification	N/A
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	N/A	Date	10/1/2021
Proposed Use	N/A	Sale Price	\$4,538,500
Listing Broker	N/A	Financing	Cash to Seller
Selling Broker	N/A	Cash Equivalent	\$4,538,500
Doc #	N/A	Capital Adjustment	\$0
		Adjusted Price	\$4,538,500

**Transaction Summary plus Five-Year CBRE View History**

Transaction Date	Transaction Type	Buyer	Seller	Price	Cash Equivalent Price/unit and /sf
10/2021	Sale	N/A	N/A	\$4,538,500	\$126,069 / \$124.53

**Sale Residential - Multi-unit Mid / High Rise No. 7**

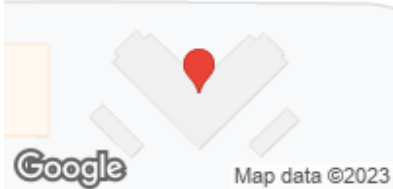
**Units of Comparison**

Static Analysis Method	N/A	Eff Gross Inc Mult (EGIM)	N/A
Buyer's Primary Analysis	N/A	Op Exp Ratio (OER)	N/A
Net Initial Yield/Cap. Rate	N/A	Adjusted Price / sf	\$124.53
Projected IRR	N/A	Adjusted Price / Unit	\$126,069
Actual Occupancy at Sale	N/A		

**Financial**

No information recorded

**Map & Comments**



Addendum C

## RENT COMPARABLE DATA SHEETS



**Comparable Residential - Multi-unit Mid / High Rise No. 1**

Property Name The Lofts  
Address 10 North Broadway Street  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID 9391

**Unit Mix Detail**

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	36	92%	664	\$961	\$1.45
2BR/1BA	3	8%	964	\$1,349	\$1.40
Totals/Avg	39			\$991	\$1.44



**Improvements**

Land Area	0.160 ac	Status	Existing
Net Rentable Area (NRA)	26,793 sf	Year Built	2020
Total # of Units	39 Unit	Year Renovated	N/A
Average Unit Size	687 sf	Condition	Average
Floor Count	4	Exterior Finish	Masonry
Property Features	Elevators, Flat Roofs, Ground-level Retail, Interior Corridors, Interior Stairwells, Thru-The-Wall Systems, Under-building Parking		
Project Amenities	N/A		
Unit Amenities	Black Appliances, Carpeted Flooring, Ceiling Fans, Dishwasher, Garbage Disposal, Microwave Oven, Plank Flooring, Range / Oven, Refrigerator with Icemaker, Washer / Dryer		

**Rental Survey**

Occupancy	95%	Utilities Included in Rent	Water, Sewer and Trash, Garage
Lease Term	12 Mo(s).	Rent Premiums	None
Tenant Profile	All Ages	Concessions	N/A
Survey Date	08/2023	Owner	N/A
Survey Notes	N/A	Management	N/A

Comparable	Residential - Multi-unit Mid / High Rise	No. 1
------------	--	-------

Map & Comments
----------------



The comparable is a mixed-use 39-unit multi-family property with 7,885 square feet of ground-floor retail located at 10 North Broadway Street in Watertown, South Dakota. The property consists of a single, four-story apartment building with below-grade heated parking (46 stalls), 1 stall included in rent. Unique property characteristics include the property is located in downtown Watertown, new construction, and ground-floor retail. The in-unit amenities include a full appliance package, in-unit washer/dryer, ceiling fans, and through-the-wall air conditioning. One pet is allowed per tenant with a one-time \$300 fee and The landlord will be responsible for water, sewer, and trash expenses with residents paying all other expenses. Property opened in August 2020 and stabilized within eight months. The property is currently 95% occupied (residential only). The retail has 2,382 square feet of vacancy.

## Comparable Residential - Multi-unit Senior No. 2

Property Name Generations on 1st  
Address 26 1st Avenue SW  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID N/A

### Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1 BR/1 BA	48	67%	800	\$960	\$1.20
2 BR/2 BA	24	33%	1,150	\$1,412	\$1.23
Totals/Avg	72			\$1,111	\$1.21



### Improvements

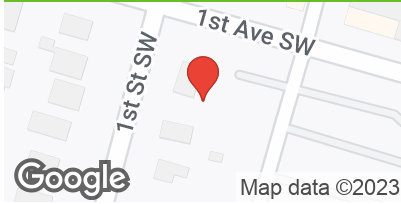
Land Area	0.764 ac	Status	N/A
Net Rentable Area (NRA)	73,200 sf	Year Built	2022
Total # of Units	72 Unit	Year Renovated	N/A
Average Unit Size	1,017 sf	Condition	Good
Floor Count	5	Exterior Finish	Brick Veneer
Property Features	N/A		
Project Amenities	N/A		
Unit Amenities	N/A		

### Rental Survey

Occupancy	N/A	Utilities Included in Rent	N/A
Lease Term	N/A	Rent Premiums	N/A
Tenant Profile	N/A	Concessions	N/A
Survey Date	08/2023	Owner	N/A
Survey Notes	N/A	Management	N/A

**Comparable Residential - Multi-unit Senior No. 2**

**Map & Comments**



The subject is a newly constructed with units available in September of 2023. 72-unit mid/high rise property located at 26 1st Avenue SW in Watertown, South Dakota. The property consists of a single, five-story apartment building with attached parking and a first floor senior center. The senior center is leased to the city on a 99 year lease term for \$1 annually and essentially acts as the apartments amenity package. The property recently opened and is currently in lease up mode.

**Comparable Residential - Multi-unit Garden No. 3**

Property Name The Plains Apartments Phase I  
Address 1604 4th Street NE  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID Portion of 14664

**Unit Mix Detail**

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
Studio - No Parking	4	6%	606	\$985	\$1.63
1BD/1BA - No Parking	10	14%	660	\$1,087	\$1.65
1BD/1BA	13	18%	734	\$1,125	\$1.53
1BD/1BA	6	8%	792	\$1,005	\$1.27
1BD/1BA	3	4%	851	\$1,175	\$1.38
2BD/2BA	21	29%	1,125	\$1,420	\$1.26
2BD/2BA	8	11%	1,214	\$1,470	\$1.21
3BD/2BA	7	10%	1,362	\$1,795	\$1.32
Totals/Avg	72			\$1,294	\$1.35



**Improvements**

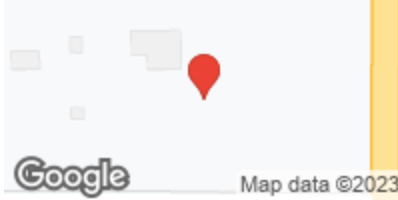
Land Area	3.430 ac	Status	Proposed
Gross Building Area (GBA)	100,732 sf	Year Built	2021
Total # of Units	72 Unit	Year Renovated	N/A
Average Unit Size	946 sf	Condition	New
Floor Count	4	Exterior Finish	Other (See Comments)
Property Features	Detached Garages, Elevators, Fire Sprinklered, Gated / Controlled Access, On-Site Management, Surface Parking, Thru-The-Wall Systems, Under-building Parking		
Project Amenities	Barbeque Area, Clubhouse, Dog Grooming Station, Dog Park / Run, Fitness Center		
Unit Amenities	9-Foot Ceilings, Carpeted Flooring, Dishwasher, Garbage Disposal, Microwave Oven, Plank Flooring, Private Patios / Balconies, Range / Oven, Refrigerator, Stainless Steel Appliances, Washer / Dryer		

**Rental Survey**

Occupancy	61%	Utilities Included in Rent	All utilities included & Parking
Lease Term	12 Mo(s).	Rent Premiums	Pet rent \$35/mo.; \$300 initial pet fee
Tenant Profile	Muti-tenant	Concessions	None
Survey Date	08/2023	Owner	N/A
Survey Notes	N/A	Management	N/A

Comparable	Residential - Multi-unit Garden	No. 3
------------	---------------------------------	-------

Map & Comments
----------------



This comparable represents a 72 unit, 4 story apartment building in Watertown, SD. They offer studio and 1-3 bedroom apartments with 1-2 bathrooms, unit size ranges from 610-1,365 with monthly rent ranging from \$825-\$1,595. Project amenities include on-site parking and available detached garages and underground parking (garages and underground parking included in rent). A clubhouse is provided in Phase 1, which will have a fitness center and on-site leasing office, common restrooms, and a pet wash station. A dog park and gazebo with outdoor barbeque area are located in the northeastern corner of the site. The apartment building will have an oversized elevator that services all floors. Buildings will have controlled access and security cameras for tenant safety. Unit amenities include an in unit washer and dryer, stainless steel appliances, walk-in closets and balcony. Lease options are 12 months and all utilities are included in rent as well as one garage space. The project is designed to be an all-inclusive project where tenants only pay for base rent and pet rent. All utilities are paid by the property owner. WiFi is the only amenity not provided by the landlord. Pet rent is \$35/mo. with a \$300 pet fee.

## Comparable Residential - Multi-unit Garden No. 4

Property Name The Ruins  
Address 315 E Kemp  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID N/A

### Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
Studio	12	19%	636	\$955	\$1.50
1BD/1Ba	36	57%	716	\$1,255	\$1.75
2BD/1Ba	15	24%	1,195	\$1,575	\$1.32
Totals/Avg	63			\$1,274	\$1.56



### Improvements

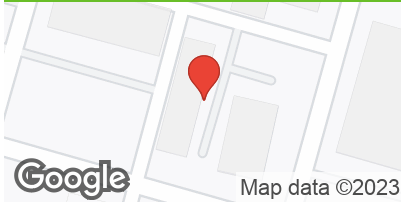
Land Area	0.390 ac	Status	Under Construction
Gross Building Area (GBA)	100,908 sf	Year Built	2022
Total # of Units	63 Unit	Year Renovated	N/A
Average Unit Size	815 sf	Condition	New
Floor Count	4	Exterior Finish	Masonry
Property Features	Elevators, Fire Sprinklered, Flat Roofs, Ground-level Retail, Interior Corridors, On-Site Management, Under-building Parking		
Project Amenities	Business Center, Fitness Center, Roof Deck / Terrace		
Unit Amenities	8-Foot Ceilings, Carpeted Flooring, Ceramic Tile Flooring, Dishwasher, Garbage Disposal, Microwave Oven, Private Patios / Balconies, Quartz Countertops, Range / Oven, Refrigerator with Icemaker, Stainless Steel Appliances, Washer / Dryer, Washer / Dryer Connections		

### Rental Survey

Occupancy	0%	Utilities Included in Rent	Water, sewer and garbage included
Lease Term	12 Mo(s).	Rent Premiums	N/A
Tenant Profile	N/A	Concessions	N/A
Survey Date	08/2023	Owner	N/A
Survey Notes	N/A	Management	N/A

Comparable	Residential - Multi-unit Garden	No. 4
------------	---------------------------------	-------

Map & Comments



This is a proposed mixed-use multi-family development in Watertown, South Dakota. The street level will include retail space and basement (podium) parking.



## Comparable Residential - Multi-unit Garden No. 5

Property Name The Marketplace  
Address 15 1st Street NW  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID 9435

### Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BD/1BA	24	34%	614-637	\$950-\$975	\$1.54
1BD/1BA	2	3%	645-655	\$964	\$1.48
1BD/1BA	4	6%	742	\$1,080	\$1.46
1BD/1BA	21	30%	787	\$1,160	\$1.47
2BD/1BA	3	4%	811	\$1,060	\$1.31
2BD/1BA	3	4%	955	\$1,595	\$1.67
2BD/2BA	3	4%	1,027	\$1,415	\$1.38
2BD/2BA	4	6%	1,036	\$1,435	\$1.39
2BD/2BA	3	4%	1,286	\$1,670	\$1.30
2BD/2BA	3	4%	1,333	\$1,830	\$1.37
Totals/Avg	70			\$1,174	\$1.46



### Improvements

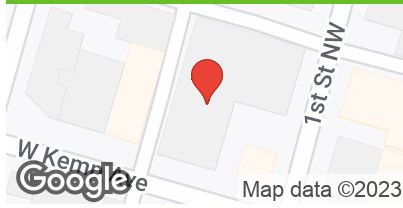
Land Area	0.671 ac	Status	Proposed
Net Rentable Area (NRA)	58,156 sf	Year Built	2022
Total # of Units	70 Unit	Year Renovated	N/A
Average Unit Size	831 sf	Condition	New
Floor Count	4	Exterior Finish	EIFS
Property Features	Elevators, Individual Split Systems, Interior Corridors, Surface Parking, Under-building Parking		
Project Amenities	Roof Deck / Terrace		
Unit Amenities	Carpeted Flooring, Dishwasher, Laminate Countertops, Microwave Oven, Plank Flooring, Private Patios / Balconies, Range / Oven, Refrigerator, Stainless Steel Appliances, Washer / Dryer		

### Rental Survey

Occupancy	0%	Utilities Included in Rent	Water, Sewer, Trash,
Lease Term	12 Mo(s).	Rent Premiums	N/A
Tenant Profile	N/A	Concessions	N/A
Survey Date	08/2023	Owner	N/A
Survey Notes	Proposed Construction	Management	N/A

Comparable	Residential - Multi-unit Garden	No. 5
------------	---------------------------------	-------

Map & Comments



This comparable is a proposed facility in Watertown, South Dakota. The facility will have 70 units and be four stories tall with underground parking. Water/Sewer, and trash are included in the monthly rent. it is unknown is parking is included or not. The facility is expected to be complete by the end of 2023 and is preleasing.

## Comparable Residential - Multi-unit Walk-up No. 6

Property Name Parkside Place  
Address 8 2nd St NE  
Watertown, SD 57201  
United States

Government Tax Agency Codington  
Govt./Tax ID 9358

### Unit Mix Detail

Rate Timeframe	Monthly				
Unit Type	No.	%	Size (sf)	Rent	Rent / sf
1BR/1BA	36	100%	734	\$989	\$1.35
Totals/Avg	36			\$989	\$1.35



### Improvements

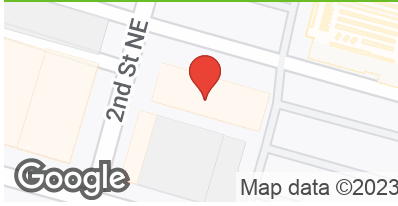
Land Area	0.593 ac	Status	Existing
Net Rentable Area (NRA)	N/A	Year Built	2021
Total # of Units	36 Unit	Year Renovated	N/A
Average Unit Size	764 sf	Condition	Good
Floor Count	4	Exterior Finish	Masonry
Property Features	Elevators, Fire Sprinklered, Flat Roofs, Ground-level Retail, Structured Parking, Under-building Parking		
Project Amenities	Roof Deck / Terrace		
Unit Amenities	Black Appliances, Carpeted Flooring, Dishwasher, Garbage Disposal, Granite Countertops, Microwave Oven, Plank Flooring, Private Patios / Balconies, Range / Oven, Refrigerator, Washer / Dryer Connections		

### Rental Survey

Occupancy	100%	Utilities Included in Rent	water, sewer, and trash
Lease Term	12 Mo(s).	Rent Premiums	None
Tenant Profile	N/A	Concessions	None
Survey Date	08/2023	Owner	GT Brothers LLC
Survey Notes	N/A	Management	N/A

**Comparable Residential - Multi-unit Walk-up No. 6**

**Map & Comments**



This is a new Downtown Watertown development that consists of a four-story mixed-use apartment/retail building with 36 units and 3,803 square feet of ground-floor commercial space. The development also includes a first-floor 36 stall heated parking garage with one stall included with rent. The property consists of all one-bedroom units. Amenities include an elevator, dishwasher, rooftop deck, in unit washers/dryers, LED lighting, brushed nickel fixtures, storage lockers for \$40 per month, and city park views. Utilities of water, sewer, and garbage are included in the base rent. At the time of survey, the property was leased at 100%. The subjects absorption period was approximately 14 units per month.

Addendum D

## OPERATING DATA AND CONSTRUCTION COSTS

Addendum E

## LEGAL DESCRIPTION AND PLAT MAP

Addendum F

## CLIENT CONTRACT INFORMATION

VALUATION & ADVISORY SERVICES

**CBRE**

# Proposal and Contract for Services

CBRE, Inc.  
7405 S. Bitterroot Pl., #114  
Sioux Falls, SD 57108  
[www.cbre.us/valuation](http://www.cbre.us/valuation)

**Josh Luther, MAI**  
Vice President

August 21, 2023

Charles Aarestad  
Executive Vice President  
**RED RIVER STATE BANK**  
300 2nd Avenue West  
Halstad, MN 56548  
Phone: 218-456-2187  
Email: [charles.aarestad@redriverbank.com](mailto:charles.aarestad@redriverbank.com)

RE: Assignment Agreement | CB23US070386  
Residential  
3 Properties – Multiple Locations

Dear Mr. Aarestad:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

## PROPOSAL SPECIFICATIONS

<b>Purpose:</b>	To estimate the Market Value of the referenced real estate
<b>Premise:</b>	As Is
<b>Rights Appraised:</b>	Fee Simple
<b>Intended Use:</b>	Mortgage Lending
<b>Intended User:</b>	The intended user is RED RIVER STATE BANK ("Client"), and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein).
<b>Reliance:</b>	Reliance on any reports produced by CBRE under this Agreement is extended solely to parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof (including Client if it is not named as an Intended User), whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.
<b>Scope of Inspection:</b>	A full interior and exterior inspection of the property will be conducted and arranged with the property contact and performed by CBRE Valuations.



**VALUATION & ADVISORY SERVICES**

**RED RIVER STATE BANK**  
Assignment Agreement | CB23US070386  
Page 2 of 9  
August 21, 2023

If this expected property inspection is not possible due to unforeseen issues (such as lack of on-site personnel cooperation, physical obstructions, or appraiser/property contact health and safety concerns), the client will be promptly advised. The client may continue this assignment based on other inspection options agreed upon by CBRE and client or provide CBRE with a written notice to cancel. If CBRE determines that a credible appraisal result cannot be achieved due to inspection limitations, it will promptly provide the client with a written cancellation of this assignment.

<b>Valuation Approaches:</b>	All three traditional approaches to value will be considered.
<b>Report Type:</b>	Appraisal Report
<b>Appraisal Standards:</b>	USPAP/FIRREA
<b>Appraisal Fee:</b>	\$12,000.00. If cancelled by either party before a completion, the fee will be based on CBRE's hourly rates for the time expended; plus actual expenses.
<b>Expenses:</b>	Fee includes all associated expenses
<b>Retainer:</b>	A retainer is not required for this assignment.
<b>Payment Terms:</b>	Final payment is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. The full appraisal fee is considered earned upon delivery of the draft report. We will invoice you for the assignment in its entirety at the completion of the assignment.
<b>Delivery Instructions:</b>	CBRE encourages our clients to join in our environmental sustainability efforts by accepting an electronic copy of the report.  An Adobe PDF file via email will be delivered to charles.aarestad@redriverbank.com. The client has requested 0 bound final copy (ies).
<b>Delivery Schedule:</b>	
<b>Final Report:</b>	15 business days after the Start Date
<b>Start Date:</b>	The appraisal process will start upon receipt of your signed agreement and the property specific data.
<b>Acceptance Date:</b>	These specifications are subject to modification if this proposal is not accepted within 5 business days from the date of this letter.

When executed and delivered by all parties, this letter, together with the Terms and Conditions and the Specific Property Data Request attached hereto and incorporated herein, will serve as the Agreement for appraisal services by and between CBRE and Client. Each person signing below represents that it is authorized to enter into this Agreement and to bind the respective parties, including all intended users, hereto.

VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386  
Page 3 of 9  
August 21, 2023

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

**CBRE, Inc.**  
**Valuation & Advisory Services**



Josh Luther, MAI  
Vice President  
As Agent for CBRE, Inc.  
T +1 605-201-0684  
Josh.Luther@cbre.com

VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386  
Page 4 of 9  
August 21, 2023

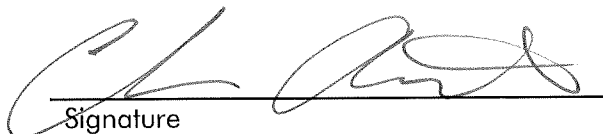
PROPERTY NAME	PROPERTY LOCATION	REPORT TYPE	APPRAISAL FEES
The Ruins	315 E Kemp, Watertown, SD 57201	Appraisal Report	\$4,000.00
Parkside Place	8 2nd St NE, Watertown, SD 57201	Appraisal Report	\$4,000.00
Generations on 1st	26 1st Avenue SW , Watertown, SD 57201	Appraisal Report	\$4,000.00
Assignment Total:			\$12,000.00

VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386  
Page 5 of 9  
August 21, 2023

## AGREED AND ACCEPTED

FOR RED RIVER STATE BANK ("CLIENT"):

  
Signature

Charles Aarestad  
Name

218-456-2187  
Phone Number

8/22/2023  
Date

Executive Vice President  
Title

charles.aarestad@redriverbank.com  
E-Mail Address

### ADDITIONAL OPTIONAL SERVICE

**Assessment & Consulting Services:** CBRE's Assessment & Consulting Services group has the capability of providing a wide array of solution-oriented due diligence services in the form of property condition and environmental site assessment reports and other necessary due diligence service (seismic risk analysis, zoning compliance service, construction risk management, annual inspections, etc.).

Initial below if you desire CBRE to contact you to discuss a proposal for any part or the full complement of consulting services, or you may reach out to us at [ACSProposals@cbre.com](mailto:ACSProposals@cbre.com). We will route your request to the appropriate manager. For more information, please visit [www.cbre.com/assessment](http://www.cbre.com/assessment).



VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386

Page 6 of 9  
August 21, 2023

## TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for appraisal services (the "Agreement") between CBRE, Inc. (the "Appraiser") and the client signing this Agreement, and for whom the appraisal services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the appraisal office is located for the Appraiser executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the appraisal fee and preparation of an appraisal report (the "Appraisal Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Appraisal Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the hourly rate of the time and expenses incurred (including travel expenses to and from the engagement site), with a minimum charge of \$500. Additional copies of the Appraisal Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Appraiser is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Appraisal Report, the Appraiser's expertise, or the Property, Client shall pay Appraiser's additional costs and expenses, including but not limited to Appraiser's attorneys' fees, and additional time incurred by Appraiser based on Appraiser's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Appraisal Report), meeting participation, and Appraiser's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional appraisal services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 5 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Appraiser executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Appraiser assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Appraiser to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Appraisal fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Appraiser executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between

VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386

Page 7 of 9  
August 21, 2023

Client and Appraiser. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to Appraiser's actual knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Appraiser by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, APPRAISER DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY APPRAISAL REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE EVEN IF KNOWN TO APPRAISER. Furthermore, the conclusions and any permitted reliance on and use of the Appraisal Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.
9. Appraiser shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Appraiser with such materials with respect to the assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the Appraiser-Client relationship by improperly disclosing any proprietary information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Appraisal Report the Appraiser will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Appraisal fee.
13. In the event Client intends to use the Appraisal Report in connection with a tax matter, Client acknowledges that Appraiser provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Appraisal Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Appraisal Report. Client agrees that Appraiser shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Appraiser relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Appraiser shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Appraisal Report to any third party.
15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO APPRAISER UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.



VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK

Assignment Agreement | CB23US070386

Page 8 of 9

August 21, 2023

16. Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (ii) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Appraisal Report by such party extend any right to the party to use and rely on such report, and Appraiser shall have no liability for such unauthorized use and reliance on any Appraisal Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.
17. Furthermore, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the appraisal or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any Damages claimed by any user or recipient of the Appraisal Report, whether or not an Intended User, (iii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iv) an actual or alleged violation of applicable law by an Intended User (including, without limitation, securities laws) or the negligent or intentional acts or omissions of an Intended User (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Appraiser (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Appraiser and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Appraisal Report, (b) any services or appraisals under this Agreement or (c) any acts or conduct relating to such services or appraisals, shall be filed within two (2) years from the date of delivery to Client of the Appraisal Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

VALUATION & ADVISORY SERVICES

RED RIVER STATE BANK  
Assignment Agreement | CB23US070386  
Page 9 of 9  
August 21, 2023

## SPECIFIC PROPERTY DATA REQUEST

In order to complete this assignment under the terms outlined, CBRE, Inc., Valuation & Advisory Services, will require the following specific information for the property:

1. PLEASE NOTIFY US IMMEDIATELY IF ANY OTHER CBRE SERVICE LINE (INCLUDING CAPSTONE) IS INVOLVED IN THE BROKERAGE, FINANCING, INVESTMENT OR MANAGEMENT OF THIS ASSET.
2. Any information reasonably requested during appraisal process.

If any of the requested data and information is not available, CBRE, Inc., reserves the right to extend the delivery date by the amount of time it takes to receive the requested information or make other arrangements. Please have the requested information delivered to the following:

Josh Luther, MAI  
Vice President  
Josh.Luther@cbre.com  
CBRE, Inc.  
Valuation & Advisory Services  
11213 Davenport Street, Ste 300  
Omaha, NE 68154





Addendum G

## QUALIFICATIONS

# Matthew Johnson

Senior Appraiser, Minneapolis, MN



T + 612-336-4256  
M +651-274-8240  
Matthew.johnson@cbre.com

800 LaSalle Avenue, Suite 1900  
Minneapolis, MN 55402

## Clients Represented

- Bank Cherokee
- North Star Bank
- West Town Bank & Trust
- Elion Partners
- Infinite Campus
- Aldi Grocery Stores
- Kowalski's
- Sterling Organization
- Various other lenders and property owners

## Experience

Matthew Johnson became a Senior Appraiser in the Valuation & Advisory Services Group in September of 2013. Matt's appraisal experience has been in the fee preparation of real estate appraisals, feasibility studies and market rent studies of commercial, industrial, multifamily residential and other special use properties.

Experience encompasses a wide variety of property types including development land, office, retail, industrial, multifamily, hotel/motel, net leased investments, medical office buildings, restaurants, manufactured housing communities, marinas and other special purpose properties located both locally and regionally.

## Representative Assignments

Property	Location	SF
City Place Development	Woodbury, MN	30+ Acre Mixed Use
Proposed North Loop Office – Swervo	Minneapolis, MN	295,000 SF
Affiliated Medical Center – Hospital	Willmar, MN	150,000 SF
US Bank Center - Office	St. Paul, MN	380,000 SF
Doctor's Professional Building - Medical	St. Paul, MN	80,000 SF
Viking Plaza Enclosed Mall - Retail	Alexandria, MN	210,000 SF
Village of Blaine Shopping Center – Retail	Blaine, MN	220,000 SF
St. Paul Athletic Club – Mixed Use	St. Paul, MN	155,000 SF
Ridgedale Proposed Apartments – Senior	Minnetonka, MN	168 Units

## Licenses/Certifications

- Certified General Real Property: State of Minnesota No. 40382860
- Certified General Real Property: State of Iowa No. CG03831
- Certified General Real Property: State of South Dakota No. 1519CG

## Education

- Bachelor's degree from University of St. Thomas, St. Paul, Minnesota - Accounting

## South Dakota Department of Labor and Regulation Appraiser Certification Program

This is to Certify that Matthew D. Johnson of Mendota Heights, MN  
is duly licensed to appraise property in the State of South Dakota,  
from the date hereof until September 30, 2024, unless terminated by the Department.

Highest Level  
State-Certified General Appraiser

*Matthew D. Johnson*  
# 1519CG-R

State-Certified General Appraiser credential applies to the appraisal of all types of real property. The appraiser is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,  
this document was signed by the official in charge of licensing and certification on September 13, 2023.



---

Marcia Hultman, Cabinet Secretary,  
SOUTH DAKOTA  
DEPARTMENT OF LABOR AND REGULATION



2024

# Michael J Moynagh

Senior Managing Director, MAI Minneapolis



T + 612 336 4239  
M +612 812 2775  
Mike.moynagh@cbre.com

800 LaSalle Ave  
Suite 1900  
Minneapolis, MN 55402

## Clients Represented

- Associated Bank
- Bank Mutual
- Bank of America  
Merrill Lynch
- Barclays Bank
- Bell State Bank &  
Trust
- BMO Harris
- Cantor
- Cargill
- JP Morgan Chase
- Ladder Capital
- LNR Partners
- Piper Jaffrey
- PNC Bank
- Principal
- Union Bank and  
Trust
- Company
- University of  
Minnesota
- US Bank

## Experience

Michael Moynagh, MAI, became Senior Managing Director of the Valuation & Advisory Services Group's Twin Cities office in Minneapolis in 2017. Prior to this he served as Managing Director. He has over 25 years of real estate appraisal and consulting experience. As Managing Director of the Twin Cities office as well as satellite offices in Des Moines, Sioux Falls and Omaha, Mr. Moynagh leads a valuation and advisory staff of 20 that provides exceptional quality appraisal work and customer service in a timely manner. He coordinates all activities for Minnesota, North Dakota, South Dakota, Nebraska and Iowa, including overseeing new business development, client relations, and appraisal report production.

Mr. Moynagh has experience providing real estate appraisals, consultations, reviews, and litigation support. His appraisal experience includes a wide variety of property types including office, retail, industrial, multi-family residential, hotels and motels, net leased investments, medical office buildings, restaurants residential and commercial subdivisions, golf courses, airport terminals and hangars and other special purpose properties including mixed-use buildings. Mr. Moynagh holds the MAI designation from the Appraisal Institute. He was the 2008 President of the Northstar Chapter of the Appraisal Institute. Mr. Moynagh was part of the Management Team of the Year award within CBRE for 2005, 2006 and 2012.

## Professional Affiliations / Accreditations

- Appraisal Institute, Designated Member (MAI), Certificate No. 11916
- Northstar Chapter of the Appraisal Institute
  - President, 2008
  - Board Member since 2004
  - Professor, University of St. Thomas
- Certified General Real Property Appraiser
  - State of Minnesota, No. 4000726
  - State of North Dakota, No. CG2402
  - State of South Dakota, No. 895CG
  - State of Iowa, No. CG02485
  - State of Nebraska, No. CG230099R
  - State of Kansas, No. G-3224
  - State of Missouri, No. 2019013796

## Education

- St. John's University, Collegeville, MN, Bachelor of Science

## QUALIFICATIONS

### MICHAEL J. MOYNAGH, MAI Senior Managing Director

CBRE, Inc.  
Valuation and Advisory Services  
800 LaSalle Ave Suite 1900  
Minneapolis, Minnesota 55402  
(612) 336-4239  
[Mike.Moynagh@cbre.com](mailto:Mike.Moynagh@cbre.com)  
[www.cbre.com](http://www.cbre.com)

## EDUCATION

Bachelor of Science Degree, Business, St. John's University, Collegeville, Minnesota

## LICENSE(S)/CERTIFICATION(S)

Certified General Real Property Appraiser: State of Minnesota (No. 4000726)  
Certified General Real Property Appraiser: State of Iowa (No. CG02485) Certified  
General Real Property Appraiser: State of Nebraska (No. CG230099R) Certified  
General Real Property Appraiser: State of North Dakota (No. CG-2402) State  
Certified General Appraiser: State of South Dakota (No. 895CG-2008R)  
Certified General Real Property Appraiser: State of Kansas (No. G-3224)  
State Certified General Real Estate Appraiser: State of Missouri: (No. 2019013796)  
Sales License: State of Minnesota (No. RA-20202710)

## PROFESSIONAL

### Appraisal Institute

Designated Member (MAI), Certificate No. 11916  
Northstar Chapter President, 2008

## EXPERIENCE

1987-2001	Vice President, Real Estate Appraiser, GVA Marquette Advisors., Minneapolis, Minnesota
2002-2002	Vice President, Colliers Towle Real Estate, Minneapolis, Minnesota
2003-2017	Director, CBRE, Inc., Minneapolis, Minnesota
2017-Present	Senior Managing Director, CBRE, Inc., Minneapolis, Minnesota
2017-Present	Adjunct Professor, University of St. Thomas, Minneapolis, Minnesota

Appraisal experience has been in the fee preparation of real estate appraisals, feasibility studies, rent analyses and market studies of commercial, industrial, multifamily residential and special use properties. Experience encompasses a wide variety of property types including office, retail, industrial, multifamily, hotel/motel, casinos, resorts, airports, net leased investments, fractional interests, medical office buildings, restaurants, golf courses, and other special purpose properties located both locally and nationally.

Assignments completed in Mexico, Canada, Washington, California, Arizona, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Missouri, Texas, New Mexico, Iowa, Arkansas, Mississippi, Tennessee, Illinois, Wisconsin, Michigan, Indiana, Alabama, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Pennsylvania, New York, Connecticut, Massachusetts, and Maine. Primary geographical experience is in the Twin Cities metropolitan area of St. Paul and Minneapolis, Minnesota.

The Midwest Region of CBRE, Inc. Valuation and Advisory Services covers the states of Minnesota, Iowa, North Dakota, South Dakota, Nebraska, Kansas, and Missouri.

## South Dakota Department of Labor and Regulation Appraiser Certification Program

This is to Certify that Michael J. Moynagh of Lake Elmo, MN  
is duly licensed to appraise property in the State of South Dakota,  
from the date hereof until September 30, 2024, unless terminated by the Department.

Highest Level  
State-Certified General Appraiser

*Michael J. Moynagh*  
# 895CG-R

State-Certified General Appraiser credential applies to the appraisal of all types of real property. The appraiser is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,  
this document was signed by the official in charge of licensing and certification on July 20, 2023.

*M. Hultman*

---

Marcia Hultman, Cabinet Secretary,  
SOUTH DAKOTA  
DEPARTMENT OF LABOR AND REGULATION



2024



# PROFILES



VALUATION & ADVISORY SERVICES / SIOUX FALLS

## Josh Luther, MAI

Vice President, Sioux Falls, SD

**T** +1 605 201 0684

**M** +1 605 201 0684

**E** josh.luther@cbre.com

- South Dakota # 1021CG
- Minnesota # 40473521
- Iowa # CG04106
- Nebraska # CG2022024R

### Clients Represented

- Commercial Banks
- Credit Unions
- Developers
- Owners, Tenants
- Government Agencies
- Law Firms
- Accounting Firms
- Trust Companies

### Pro Affiliations / Accreditations

- MAI Designated Member of the Appraisal Institute Since 2015
- Appraisal Institute Candidate for Designation (2007-2015)
- State Certified General Appraiser Licensed in SD, MN, IA, & NE
- Member of the Professional Appraisers Association of SD

### Education

- Master of Business Administration (MBA) with a concentration in Project Management from Colorado Technical University
- Bachelor of Science in Business Administration from Black Hills State University

### Professional Experience

Josh Luther is an established commercial real estate appraiser and an MAI designated member of the Appraisal Institute with more than 20+ years of commercial real estate experience in the Upper Midwest. Mr. Luther presently works as a commercial real estate appraiser with CBRE Valuation and Advisory Services in Sioux Falls, SD. Prior to joining CBRE, Mr. Luther was the principal owner of Insight ValueMetrics, a Sioux Falls-based firm providing commercial real estate appraisal and advisory services. Since starting Insight ValueMetrics, Mr. Luther grew his business from scratch to a successful appraisal firm serving over two dozen local and regional clients that have provided loyal repeat business. Mr. Luther is a Sioux Falls native and his strength is his extensive knowledge of appraisal theory and diverse experience with a wide variety of commercial property types, including both real property and going concern assignments. He combines his in-depth, local knowledge and expertise with CBRE's best-in-class resources to provide superior customer service to clients. In 2020, Mr. Luther was awarded the CBRE VAS Rise award, which is a prestigious award given annually to CBRE professionals who provide world class service to clients and consistently demonstrate RISE values (respect, integrity, service and excellence) in all aspects of their work.

### Assignment Experience

Automotive dealerships, convenience stores, car washes, restaurants, general retail stores, shopping centers, truck stop/travel centers, day care centers, general office buildings, medical office buildings, dental clinics, surgical centers, hospitals, financial institutions, churches, light and heavy industrial facilities, truck terminals, mini-warehouse facilities, warehouses, service garages, manufacturing facilities, lumberyards, apartment complexes, assisted living centers, manufactured parks, townhomes, residential and mixed-use subdivisions; large tracts of development land; individual lots for retail, office, industrial, multifamily, and institutional uses, air rights, etc.

### Awards

- CBRE VAS Rise award winner (2020)



## South Dakota Department of Labor and Regulation Appraiser Certification Program

This is to Certify that Joshua W. Luther of Sioux Falls, SD  
is duly licensed to appraise property in the State of South Dakota,  
from the date hereof until September 30, 2024, unless terminated by the Department.

Highest Level  
**State-Certified General Appraiser**

Endorsed Supervisory Appraiser

*Joshua W. Luther*

# 1021CG

State-Certified General Appraiser credential applies to the appraisal of all types of real property. The appraiser is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,  
this document was signed by the official in charge of licensing and certification on September 01, 2023.



*M. Hultman*

Marcia Hultman, Cabinet Secretary,  
SOUTH DAKOTA  
DEPARTMENT OF LABOR AND REGULATION

2024